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Guide to Regional Service Arrangements and Service Reviews

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I

INTRODUCTION

On June 12, 2000, the Government of British Columbia passed Bill 14, the *Local Government Statutes Amendment Act, 2000.* Bill 14 represents the third and final component of the ambitious *Municipal Act* (now *Local Government Act*) reform process that the Ministry of Municipal Affairs, in close cooperation with the Union of British Columbia Municipalities, began in 1997.

The province's system of regional districts is featured prominently in the Bill 14 package of reforms. Specific changes serve to:

- extend broad service powers to regional districts,
- promote the development of more flexible service arrangements,
- provide an opportunity for participants in services to initiate reviews of service arrangements, and
- enable, in certain cases, the withdrawal of participants from services.

Taken together, the changes in Bill 14 have significant implications for the provision and funding of local government services within regional districts. It is important for local government practitioners to fully understand these implications, and to understand how to implement the new statutory provisions. To this end, the Ministry of Municipal Affairs has prepared a series of *Bulletins* on key aspects of the new legislation. The ministry has also decided to produce more detailed resource documents to provide practical guidance on particular sections of Bill 14. This publication, the *Guide to Regional Service Arrangements and Service Reviews*, is one such resource document.

Purpose:

As the title suggests, the purpose of the *Guide* is twofold:

- to assist regional districts in designing innovative and sustainable service arrangements
- to provide direction to regional districts on ways to maximize the effectiveness of service reviews (whether undertaken within the provisions of Bill 14 or outside of the *Local Government Act*)

In addressing these purposes, the *Guide* explores the following types of questions:

- What flexibility do local governments have in designing service arrangements?
- What are some of the key factors to consider in drafting arrangements to suit particular circumstances?
- What criteria should local governments use to assess alternative arrangements?
- What characteristics are important to consider in designing a service review process?

The *Guide* focuses on those services that, under the *Act*, require service establishment bylaws. Included in this list are regulatory services. Most of the former "general services", however, are not featured, as these do not require establishment bylaws. The *Guide* also does not provide direction with respect to mediation, arbitration or any other component related to the issue of service withdrawal. These items will be considered in separate materials to be produced by the ministry. Finally, the *Guide* is not intended to address the unique issues associated with inter-municipal agreements, extra-regional service arrangements, or arrangements involving First Nations. The principles identified in the *Guide*, however, could be applied to these other situations.

It is hoped that the *Guide* will be of interest to a variety of audiences, including regional directors and their constituents. First and foremost, though, the *Guide* is written as a resource for local government practitioners.

Format:

The *Guide* is divided into two parts. Part I focuses on the design of regional service arrangements.

- Chapter 1 introduces the concept of cooperative service provision within regional districts. The chapter outlines some of the fundamental questions that local governments need to address when considering whether to pursue shared service arrangements.

- Chapter 2 examines the key elements of sustainable service arrangements: service definition, service cost and service control.

- Chapter 3 provides direction to local governments on designing service arrangements to suit local conditions. Key considerations related to the nature of the service and to the characteristics of communities are discussed.

- Chapter 4 concludes Part I of the *Guide* with a review of an interesting service arrangement case study from the Regional District of North Okanagan. The purpose of the case study is to illustrate how, in practice, local governments are able to package the key service elements into sustainable agreements.

Part II of the *Guide*, which includes chapters 5 through 7, focuses on service reviews.

- Chapter 5 provides advice on when service reviews should be considered, and on the types of reviews that local governments may choose to undertake.

- Chapter 6 presents a suggested review process. Individual steps in the process are identified and explained.

- Chapter 7 ends Part II with an examination of a service review that was recently undertaken by the Regional District of Nanaimo.

The *Guide* also includes four appendices. *Appendix 1* outlines the legislative provisions that relate specifically to the statutory service review option (introduced in chapter 5). These provisions, which make up Division 4.5 of Part 24 of the *Local Government Act*, impose certain requirements on parties that elect to conduct this particular type of review. *Appendix 2* presents a sample fact sheet from the Regional District of Nanaimo's recent service review. *Appendix 3* provides a listing of the types of services that are provided by regional districts in B.C. The appendix is included to illustrate the wide range of shared activities that may be undertaken through regional service arrangements. *Appendix 4* is a reference section that profiles each of the province's regional districts.

Ministry of Municipal Affairs:

The *Guide to Regional Service Arrangements and Service Reviews* is published by the Ministry of Municipal Affairs. A digital copy of the *Guide* is available at www.marh.gov.bc.ca on the Internet.

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PART I

REGIONAL SERVICE ARRANGEMENTS

1

APPROACHING COOPERATIVE SERVICE PROVISION

In this Chapter...

Nature of Regional Districts 3

Fundamental Questions 3
in deciding whether to pursue cooperative service provision

Benefits and Costs 4
to cooperative service provision

Nature of Regional Districts:

In his 1999 paper, *Regional District Review: Issues and Inter-jurisdictional Comparisons,* Robert Bish comments on the role, expectations and philosophy of B.C.'s regional districts. Bish notes that "a major purpose of regional districts is to facilitate cooperation among member municipalities to provide services for a sub-area of the regional district that includes more than a single municipality or electoral area."

Bish also states that "any combination of municipalities and unincorporated areas *may undertake* service provision together and recover the costs from beneficiaries" (emphasis added).

The italicized words *"may undertake"* in the preceding quotation speak to the voluntary nature of inter-jurisdictional service delivery within regional districts. With the exception of certain legislated regional functions (e.g., solid waste management), municipalities and electoral areas choose whether or not to collaborate in the provision of services.

Fundamental Questions:

In choosing whether to pursue cooperative service provision in any given situation, local governments need to review a number of fundamental questions. Consider the following examples:

➢ **Is there a role for government in providing the service?**

This example is the most basic question that local governments need to consider before agreeing to collaborate in the provision of a service. There are several rationales for government involvement.

- The service in question may have broad public benefit. Fire protection, public transit and public libraries are three cases in point.
- The service may be critical to the fulfillment of a regional (or sub-regional) vision. Economic development and air quality management may fit under this rationale.
- Public provision of the service may be the best way to achieve broad public involvement in the service (as opposed to limited involvement by one group).
- In certain areas, the private sector is incapable of providing a service that private firms in other areas would normally offer (e.g., cablevision). In these cases, government may need to become involved.
- Government may be required to offer services that are deemed by the citizenry to be too important or sensitive for private sector involvement. Water distribution is one such service. In many industrialized countries, the

majority of water is distributed by private companies. In Canada, citizens have been less willing to entrust the provision of such an important commodity to the private sector.

- **Do the economics of a service suggest that cooperative provision is best?**

In terms of economic efficiency, there is no one best way to provide all local services. The size of the local government organization, the size of population served and the nature of the service in question are three factors that together affect the cost of service provision. Some services possess economies of scale and, as such, are most efficiently provided by large organizations to large populations. Other services have diseconomies of scale, which means the average cost of the service increases in tandem with the size of the organization and/or service area. These services are best provided by smaller organizations to small service areas.

The economics of the particular service will help a local government to determine whether collaboration with others is the best way to provide the service.

- **Is there a shared vision for a particular service?**

In some cases, local governments will pursue regional service arrangements for services that promote a common vision. A regional parks service, for example, may be an appropriate shared function for jurisdictions that wish to protect regionally- and environmentally-significant natural features. No one local government would be capable of providing adequate protection to the full range of important sites. Only through the pooling of resources could the vision of environmental protection be fulfilled.

- **Do other jurisdictions have infrastructure and systems in place already?**

A local government may consider inter-jurisdictional cooperation based on the existing activities of other governments in the particular area of service. The best approach to providing sewage treatment, for example, may depend on the availability of an existing treatment plant with excess capacity in a neighbouring municipality or electoral area. A decision on how to provide recreation programs may also be influenced by the existing programming activities of neighbouring governments.

- **Would a collaborative approach to servicing result in a better service?**

Individual jurisdictions may not be able to provide a service with the same mix of quality and cost-effectiveness as could be provided through a shared service arrangement. A collaborative approach to servicing often enables local governments to capture economies of scale, reduce administrative redundancy, acquire better equipment or hire expert staff. These opportunities, in turn, often result in a better service. Without collaboration, a small jurisdiction may not be capable of providing the service on its own, except at an unreasonable cost.

- **Do the benefits of a service extend beyond the boundaries of a single jurisdiction?**

In many cases, the benefits associated with a local government service are not contained within the boundaries of a single jurisdiction. Certain services, such as recreation, economic development and air quality management, provide direct benefit to areas that are outside of the jurisdiction which actually provides the service. In such cases, efforts are often made to share both the cost of providing the service and the governance of the service.

Benefits and Costs:

As the review of fundamental questions illustrates, local governments have a wide variety of potential reasons for cooperating in the provision of local services. In every case, however, it is important to understand that the benefits which jurisdictions hope to achieve through cooperation do not come without certain costs. More specifically, to achieve the benefits of cooperative service provision, individual jurisdictions must sacrifice a certain degree of control over the shape and future direction of the service.

When control over a service is shared among jurisdictions, the potential for tension can be high. The types of tension that affect servicing arrangements typically arise in the following situations:

- the service being provided strays from its original scope;
- common service levels exceed those that one or more jurisdiction considers to be necessary;
- uneven service levels across participating jurisdictions result in pressure to expand the service in ways that are not cost-effective;
- the service's cost-sharing formula, which can be

affected by changes to the tax base or demographics, is perceived as being unfair;
- participants feel that they have little control over (escalating) costs;
- a jurisdiction feels that it lacks a meaningful voice in the decision-making process; or
- jurisdictions feel trapped in an unsatisfactory arrangement either because the provisions for review are deemed to be problematic, or because they have no practical way of delivering the service on their own.

Individual jurisdictions will choose to pursue shared service provision when the perceived benefits of the arrangement outweigh the perceived costs. The shared service, once initiated, will be successful as long as the benefits of participation to individual jurisdictions continue to outweigh the costs related to the sharing of control. When tensions arise and are left unchecked, the costs of cooperative service provision begin to outweigh the benefits received.

It is during the design, or re-design, of the shared service arrangement that the potential for tension needs to be anticipated and addressed. Proper consideration of the key issues by all participants at this early stage will result in service arrangements that stand the test of time.

Local governments have significant discretion in designing service arrangements to suit local circumstances. The *Local Government Act* provides this discretion so that jurisdictions can develop innovative arrangements that maximize each party's benefits, and minimize the potential for conflict. The changes to the *Act* under Bill 14 serve to provide even greater opportunity for innovation.

To take advantage of the discretion provided under the legislation, local governments must be aware of the full variety of options that are available in designing service arrangements. These options are identified and discussed in the next chapter of the *Guide*.

2

DESIGNING SERVICE ARRANGEMENTS

The Elements

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of a regional service arrangement

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- Level of Service 8
- Service Area 9
- Lifespan of Service 10

Service Cost 10

- Cost-Recovery 10
- Cost-Allocation 12
- Cost-Containment 13

Service Control 14

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- Delegation 15
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Key Elements:

Sustainable service arrangements include three key elements: service definition, service cost and service control. Each element needs to be considered fully, both on its own and in relation to the others, in order to build an arrangement that stands the test of time. This chapter examines separately the design of each of the three elements.

Service Definition:

A clear and agreed-upon definition of the service being shared is the first important element of a successful service arrangement. The definition, properly drafted, reflects the participants' common vision that underlies the decision to provide the particular service. In drafting a definition, participants need to consider three specific issues: the scope of the service, the level of service and the area to be served.

➢ Scope of Service

The defined scope of a regional service may be broad or specific. Consider, for example, recreation. A regional recreation service arrangement could be limited to a single facility, or could cover a list of facilities. Sports programs could be included or excluded from the scope, as could cultural facilities and programs, such as public museums and theatres. Parks services may also be defined in broad or narrow terms. In one regional district, a parks arrangement might cover the full range of park types, including regional parks, community parks and neighbourhood parks. In another regional district, the arrangement might be limited to regional parks, and then only certain ones.

Why would the participants in a regional service arrangement choose to define the service in broad terms? There are a number of possible reasons:

- A broad scope affords participants greater flexibility to adapt the service to changing conditions and changing public interests.
- Resources within a broad service category can be re-allocated without having to revise the service establishment bylaw.

- A broad scope allows participants to "trade" benefits within the service. For example, a participant whose perceived benefit from a skating rink is low may be willing to support the rink as long as the function also includes an aquatic centre, which the participant values highly.

Broad definitions of service tend to be favoured where communities have a history of working well together. The ability to revise priorities and re-allocate resources within the broad scope makes a high level of mutual trust and communication important. Broad definitions are also used in cases where the balance of decision-making power among participants is relatively equal. When *de facto* control over the service is not in the hands of one jurisdiction, participants often feel less compelled to restrict activities using a tight definition.

Why would participants consider a narrow definition of service preferable?

- A narrow scope allows participants to more easily measure the benefit received from a service against the cost contributed.

Topic Box 2.1
Peace River Regional District
Proposed Library Service

The participating areas in the proposed library service include:

- *six member municipalities*
- *three complete electoral areas*
- *a defined portion of a fourth electoral area*

The scope of the service has been limited to cover two key items:

- *the operating costs of the libraries that are based in the municipalities*
- *the costs associated with the provision of extended services to rural areas*

Capital costs incurred through the provision and financing of library facilities are the responsibility of the individual municipalities in which the facilities are located. (The only exception to this rule is the City of Fort St. John, which receives a grant-in-aid from the regional district to offset the capital costs associated with the city's library building. The large service area associated with the Fort St. John branch qualifies the city for this grant.)

The District of Taylor, which presently does not have its own library, will participate in the service only after it has established a facility.

- The clarity inherent in a narrow scope may expose participants to less risk. Put differently, a narrowly-defined service is often easier to track and control than a broadly-defined one.

- Narrow definitions may be helpful in cases where agreement on the terms of the arrangement – or on the terms of past arrangements – has been difficult to achieve. Again, the clarity inherent in a narrow agreement leaves less room for ambiguity or confusion around costs and benefits.

- In some cases, the nature of the particular service may dictate the need for a narrow definition (or, alternatively, may preclude the option of a broad definition). For example, regulatory services, such as animal control and building inspection, tend by necessity to be defined narrowly. The range of possible activities under these services is quite limited.

Topic box 2.1 illustrates one approach to defining the scope for a proposed regional service in narrow terms. The example comes from the Peace River Regional District.

➢ Level of Service

Service level is the second component of the service definition that participants in an arrangement should explore, especially where different jurisdictions desire different levels of service. Consider public transit. It is easy to imagine a situation in which one municipality, on account of its specific socio-economic or demographic composition, demands more public transit than does a neighbouring electoral area. Or consider parks. Urban areas would surely desire more acres of parkland per 1,000 population than would semi-rural areas in which half-acre lots were the norm.

Differences can arise not just in the quantity of service demanded, but also in the quality, or standard, of service demanded. Differences in the standard demanded often occur between rural and urban areas. Consider the example of regional-use sports fields. Rural jurisdictions may be quite content with basic facilities, which can be provided at a relatively low cost. Urban areas, however, may prefer all-weather sports fields which can be expensive to provide.

Other issues to consider in defining service levels include the following examples:

- Service level expectations change over time. In some cases, the introduction of a new service can spur demand for the service to levels that local governments might not have anticipated. In other cases, the opposite situation may occur. In all, defining service levels in precise terms may create unnecessary rigidities in the face of changing expectations.

- It is common for residents of one jurisdiction to expect the same level of service that is provided to residents of a separate jurisdiction within the service area. Consider, once again, public transit. Residents of a low-density jurisdiction who are paying for the service may, because of their financial contributions, expect the same level of transit service enjoyed by a neighbouring jurisdiction. The fact that the neighbouring jurisdiction might have a higher density land-use pattern that, in general, is more amenable to transit may be irrelevant to the different contributors.

Topic Box 2.2
Regional District of North Okanagan
North Okanagan Water Authority

The North Okanagan Water Authority (NOWA) consists of the following participants:

- *City of Vernon,*
- *District of Coldstream,*
- *Electoral Areas A and B, and*
- *agricultural community.*

Three independent water supply utilities have operated in the Greater Vernon area for much of the last century. The potential advantages of a sub-regional approach to water supply have been discussed by the parties for years. In 1994, the discussions resulted in the signing of a Memorandum of Understanding to implement a new sub-regional approach in the form of NOWA.

After years of further discussion on the topic, the participants recently produced and approved an Implementation Plan. The Implementation Plan includes a "Master Plan for Regional Water Management" which addresses several points that relate to service level, including:

- *water quality and water treatment standards,*
- *the different needs of agricultural and domestic water users,*
- *the potential use of reclaimed water,*
- *the need, over time, to adopt uniform levels of service throughout the service area, and*
- *water conservation and metering.*

- Some regional services, such as recycling, can be tailored to meet different expectations in different areas. Shared regional facilities, in services such as recreation or wastewater treatment, cannot cater to inter-jurisdictional differences. These facilities, by their very nature, provide one level of service that cannot normally be varied to meet different expectations. Narrowing the scope of the shared portion of the service to include only those aspects that provide an agreed-upon level of service may be an option in certain cases.

Definitions of service levels are not easily addressed in the bylaws that form the backbone of a service arrangement. Service levels are often better addressed through long-term service plans, such as transit plans, parks plans or utility plans. These documents provide opportunities for a full assessment of the varying service needs within a region, and for the full examination of possible approaches to meet those needs.

Topic box 2.2 features the North Okanagan Water Authority, whose recently-developed service plan addresses levels of service for water supply in Greater Vernon.

➢ Service Area

The third key component of the service definition is service area. The service area is the geographic region within which the service is provided, and across which the service is funded. Related to service area is the term "benefiting area". A service's benefiting area is the geographic region across which the service's direct – and sometimes indirect – benefits are experienced.

In an ideal arrangement, a service's benefiting and service areas are identical — that is, those who receive benefit from the service pay toward the cost of providing the service. This ideal situation is achievable with services whose benefits are easily assigned to users. Take water supply and wastewater treatment. In both of these cases, it is clear which areas are connected to, and receive benefit from, the service offered. The service and benefiting areas, in these cases, consist of the same properties.

With other services, lining-up the benefiting and service areas is more problematic. Economic development and recreation services illustrate the difficulties that can arise. What is the basis on which the service areas should be defined in these cases?

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Other issues to consider in defining service levels include the following examples:

- Service level expectations change over time. In some cases, the introduction of a new service can spur demand for the service to levels that local governments might not have anticipated. In other cases, the opposite situation may occur. In all, defining service levels in precise terms may create unnecessary rigidities in the face of changing expectations.

- It is common for residents of one jurisdiction to expect the same level of service that is provided to residents of a separate jurisdiction within the service area. Consider, once again, public transit. Residents of a low-density jurisdiction who are paying for the service may, because of their financial contributions, expect the same level of transit service enjoyed by a neighbouring jurisdiction. The fact that the neighbouring jurisdiction might have a higher density land-use pattern that, in general, is more amenable to transit may be irrelevant to the different contributors.

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Definitions of service levels are not easily addressed in the bylaws that form the backbone of a service arrangement. Service levels are often better addressed through long-term service plans, such as transit plans, parks plans or utility plans. These documents provide opportunities for a full assessment of the varying service needs within a region, and for the full examination of possible approaches to meet those needs.

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With other services, lining-up the benefiting and service areas is more problematic. Economic development and recreation services illustrate the difficulties that can arise. What is the basis on which the service areas should be defined in these cases?

On access to the service? On actual use? On indirect benefit received?

The difficulty in identifying service area is compounded in the case of a service whose scope is broadly defined. The spatial extent of the benefits derived from individual activities within the broad scope may vary significantly. A narrower scope of service may be preferable where the issue of service area has the potential to become contentious.

➢ Lifespan of Service

In all regional service arrangements, the development of the service definition must take into account the three components already discussed — scope of service, level of service and service area. In some cases, a service's lifespan may also be important to consider.

Participants may agree, for example, that a particular service should be provided for a limited period of time only. In some cases, government involvement might be required during the start-up period for a particular service that, after five years, can be provided by the private sector on its own. In other cases, participants may wish to provide a service (e.g., public transit) on a trial basis to determine the actual level of local demand. A trial term of three years might be set.

Defined lifespans for services may be required in order to secure the participation of jurisdictions that fear committing to an open-ended service arrangement. The review and withdrawal provisions introduced in Bill 14 do, of course, address these concerns to a large degree. The inclusion of a set lifespan, however, may add an additional level of comfort. A set lifespan might also make it easier for regional districts to obtain the assent of the electors in certain areas.

Topic Box 2.3 provides an example of a set time limit that was prescribed for a service in the Regional District of Nanaimo.

Topic Box 2.3
Regional District of Nanaimo
Port Theatre

In 1996, the City of Nanaimo worked with private sector partners to develop the major Harbourfront Centre complex in downtown Nanaimo. An 800-seat performing arts theatre – the Port Theatre – was developed as a key component of the complex.

The theatre is operated by the non-profit Harbourfront Centre Society. The city provides assistance to the society in the form of an annual grant-in-aid. Electoral Areas A, B, C, D and E also provide an annual contribution to the society toward the cost of providing and operating the theatre. The electoral areas' contribution recognizes the sub-regional benefit of the facility.

The electoral areas' contribution is requisitioned and provided through a local service that was established for the theatre in late 1996. The service establishment bylaws (one per electoral area) place a five-year limit on the annual contributions (i.e., 1997–2001). The limit was imposed for two reasons. First, an annual contribution was viewed as legitimate during the theatre's start-up phase. Second, electoral assent may have been more difficult to obtain for an open-ended agreement.

Service Cost:

Issues related to the cost of the service constitute the second key element of a service arrangement. Three specific cost issues are important to consider when designing a service arrangement: how to pay for the service (i.e., cost-recovery), who should pay for the service (i.e., cost-allocation) and how to limit costs.

Local governments often fund the capital cost portion of services using various development finance tools such as development cost charges (DCCs) and developer works agreements. These tools are featured in the ministry's *Development Finance Choices Guide* and, as such, are not discussed in this section.

➢ Cost-Recovery

A service establishment bylaw must indicate the method, or methods, of cost-recovery that will be used to fund the service. The most common methods of funding local services are *ad valorem* property taxes, user fees and charges, and parcel taxes. The choice between these methods in any given situation may be based on a variety of considerations. Consider the following points:

- *Distribution of Benefit* — User fees are considered particularly appropriate in cases where the direct users of the service are the primary service beneficiaries. In other cases, where the community perceives the service to generate a broad social benefit that extends beyond the direct users, there is a greater

On access to the service? On actual use? On indirect benefit received?

The difficulty in identifying service area is compounded in the case of a service whose scope is broadly defined. The spatial extent of the benefits derived from individual activities within the broad scope may vary significantly. A narrower scope of service may be preferable where the issue of service area has the potential to become contentious.

➢ Lifespan of Service

In all regional service arrangements, the development of the service definition must take into account the three components already discussed — scope of service, level of service and service area. In some cases, a service's lifespan may also be important to consider.

Participants may agree, for example, that a particular service should be provided for a limited period of time only. In some cases, government involvement might be required during the start-up period for a particular service that, after five years, can be provided by the private sector on its own. In other cases, participants may wish to provide a service (e.g., public transit) on a trial basis to determine the actual level of local demand. A trial term of three years might be set.

Defined lifespans for services may be required in order to secure the participation of jurisdictions that fear committing to an open-ended service arrangement. The review and withdrawal provisions introduced in Bill 14 do, of course, address these concerns to a large degree. The inclusion of a set lifespan, however, may add an additional level of comfort. A set lifespan might also make it easier for regional districts to obtain the assent of the electors in certain areas.

Topic Box 2.3 provides an example of a set time limit that was prescribed for a service in the Regional District of Nanaimo.

Topic Box 2.3
Regional District of Nanaimo
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- *Distribution of Benefit* — User fees are considered particularly appropriate in cases where the direct users of the service are the primary service beneficiaries. In other cases, where the community perceives the service to generate a broad social benefit that extends beyond the direct users, there is a greater

willingness to rely, at least in part, on property tax revenues.

- *Community Priorities* — The choice of cost-recovery methods can either support or undermine a community's ability to achieve its priorities. For example, a community that views environmental protection as a high priority will want to find ways to encourage the widespread use of services such as public transit and solid waste disposal. A cost-recovery program for these services that downplays user fee revenues would result in lower fares to consumers which, in turn, may lead to higher rates of usage. A cost-recovery program that shifts more of the funding burden onto user fees may, conversely, turn citizens away from these services and, ultimately, make the priority of environmental protection more difficult to achieve.

- *Ability to Pay* — Fees and charges may limit use by lower income individuals and families. Funding a service through taxation allows a broader level of participation.

- *Practicality* — In some cases, the choice of user fees is simply impractical, either because the cost of administering a user fee system would be prohibitive, or because there are no direct users. The problem of no direct users is evident with certain aspects of economic development and air quality management services (although the latter may be funded, in part, using revenue from discharge permits).

- *Character of the Tax Base* — Many communities in British Columbia have strong non-residential property tax bases. Funding a service through *ad valorem* property taxation spreads the financial burden to commercial and industrial properties in a way that may be difficult or impossible to achieve with user fees.

- *Character of Service Cost* — Some services have high fixed costs that need to be recovered irrespective of actual use. These costs tend to be recovered through taxation rather than through fees and charges. Water and sewer services, for example, have traditionally been funded in this manner — fees and charges have been used to finance operating costs, and taxation has been used to finance capital costs. This distinction is sensible where debt payments are substantial and fixed, and where the levels of usage are erratic. Where usage levels are predictable, however, fees and charges may be used to recover all costs. In recent years, many local governments have moved toward full user-pay systems for water supply and liquid waste management costs. This trend has developed as part of a larger effort to encourage consumers to conserve scarce resources and preserve the environment.

- *Issue of Allocation* — Local governments that rely on user fees to fund shared services do not have to determine how to allocate the tax burden among the various participants.

Figure 2.1
Typical Approaches to Cost-Recovery

The specific considerations on which the choice among options is based will vary, to some degree, by locale. It is not possible to make sweeping judgements on the preferred, or proper, approach to take in individual cases. It is possible, however, to indicate how in practice key services are typically funded. Figure 2.1 illustrates some typical approaches.

It is useful to note that local governments have three choices in applying *ad valorem* property taxes. Taxes may be based on:

- the value of land,
- the value of improvements, or
- the value of both land and improvements.

The choice in any specific situation will depend on several factors, including the nature of the benefit derived from the service in question. Where the benefit of a service is linked closely to improvements (e.g., fire protection) or to people (e.g., library), but not to land, property taxes based solely on the value of improvements are often considered the best option. Conversely, where the benefit of a service is linked closely to land, but not to improvements or people (e.g., pest control), an approach based solely on the value of land may be most appropriate.

As an alternative to *ad valorem* property taxation, local governments may choose to recover servicing costs through parcel taxes. A parcel tax can be established as a standard amount for each parcel, or can be structured to reflect the taxable area of the parcel, or the taxable frontage of the parcel (i.e., a frontage tax).

Parcel taxes are viewed as appropriate in the following types of circumstances:

- Where participants wish to achieve stability in the tax base over time. The *ad valorem* base rises and falls in tandem with the value of the property and, as such, has the potential to be quite erratic from year to year. The parcel tax base offers much greater stability.

- Where participants do not believe that the *ad valorem* system is equitable. This concern is particularly valid in areas where properties with similar physical characteristics have widely different values, or where one jurisdiction has a disproportionately large non-residential base.

- When there is fundamental disagreement with the view that property values are indicative of a resident's ability to pay taxes.

- Where there is a desire to link the taxes paid to the cost of providing the service. Parcel taxes, for example, are often used to pay for services such as sidewalks and water distribution lines.

➢ Cost-Allocation

Local governments that include property tax revenues in a cost-recovery program must develop a system for sharing costs. Converted assessment is the most common basis for allocating costs. The use of converted assessment has a number of advantages. For example:

- It is the default basis in the *Local Government Act* for sharing costs. It is often easier for participants in a regional service to agree on the default method than to open debate on the alternatives.

- If the *ad valorem* tax base is considered an equitable basis for funding, then allocation in accordance with the tax base would also be considered to be equitable.

- The use of converted assessment results in a uniform tax rate being applied throughout the service area. (The application of a uniform rate parallels the approach to taxation within municipalities, where all taxpayers within a particular class pay the same rate.)

Local governments are not, to be sure, limited to the default measure. The list of possible measures on which to base the allocation of costs includes:

- alternative tax bases (e.g., improvements only, residential only, non-residential only),
- various population measures (e.g., total population, population by demographic),
- quantity of service used (e.g., number of arena users from a jurisdiction, volume of water used),
- quantity of service provided (e.g., length of sewer mains, kilometres of transit routes),
- cost of service provided (e.g., subsidy per transit kilometre),
- fixed proportions, or
- combinations of different methods.

These other methods of cost-sharing tend to be considered in situations where participants wish to determine the tax contribution in accordance with benefit received instead of ability to pay. Basing a jurisdiction's tax contribution on its level of direct benefit may be most sensible where:

- the quantity or quality of service received varies considerably across jurisdictions, or
- the cost of providing a service varies by area.

In all, choices among the various cost-allocation methods need to be based on a consideration of several criteria. Figure 2.2 presents some of the criteria that local governments would need to include in any decision-making process.

Figure 2.2
Cost-Allocation Criteria

Some Criteria to Consider	Sample Methods		
	Converted Assessment	**Quantity of Service Used**	**Fixed Proportion**
Reflects Ability-to-Pay	yes	no	possibly
Reflects Benefiter-Pay	no	yes	possibly
Applicable to All Services	yes	no	yes
Stable	no — contribution changes as assessment changes	yes — at least in near term	yes
Adaptable to Changes	yes — assessment updated annually	possibly — depends on service	no
Easy to Administer	yes	no — different tax rates	yes
Simple to Understand	yes — same tax rate; easy to explain	no — different tax rates	yes

Topic Box 2.4 features two alternative approaches to cost-sharing — one at Thompson Nicola Regional District and one at the Regional District of Central Okanagan.

➢ Cost-Containment

With some exceptions, a service establishment bylaw is required to set the maximum amount that may be requisitioned through taxation for the service. This requirement, which exists for reasons of public accountability, can be an effective mechanism for containing the taxation impacts of a service. It may also, however, create excessive rigidity in the service. Agreement on changes to the taxation limit set out in the establishment bylaw may be more difficult to achieve than amendments to the service's annual budget.

This requirement does not apply to costs recovered through user fees. Participants could, of course, choose to impose limits on total costs – including

Topic Box 2.4 (i)
Thompson Nicola Regional District
Westwold Cemetery Service

Westwold is an unincorporated community within Electoral Area L of the Thompson Nicola Regional District. The cemetery in Westwold is a local service that includes Electoral Area L and a portion of Electoral Area P as participants.

The annual net cost of the Westwold Cemetery is allocated using a fixed proportion approach. 75% of the total net cost is allocated to Area L; 25% of the total is allocated to Area P. This formula is based on the following reasoning:

- *each participant should pay 25% of the total to cover the costs incurred in caring for the existing graves (i.e., the "perpetual care" costs); and*
- *the remaining 50% should shared based on the anticipated future use of the Cemetery.*

In the past, residents in Area P made regular use of the Westwold Cemetery. Today, however, the availability of other closer cemeteries means that Area P's residents no longer make use of the Westwold facility. As such, Area P pays only the 25% related to perpetual care. Area L pays 25% for its perpetual care, and the full 50% for future usage, for a total of 75%.

Topic Box 2.4 (ii)
Regional District of Central Okanagan
Conventional Transit

The municipalities of Kelowna, Lake Country and Peachland participate, along with Electoral Area G, in a conventional transit service. The provincial government provides a grant to offset the total service costs. The bulk of the local portion is recovered through a combination of user-fees (i.e., bus fares) and property tax revenue. The property tax burden is allocated to participants in a manner that reflects the service provided and the revenue generated in each jurisdiction. Consider the following points:

- *debt servicing costs are allocated to reflect the size of the bus fleet used to operate the routes in the different areas;*
- *operating costs are allocated based on the cost per hour of service, multiplied by the hours of service provided to each jurisdiction;*
- *fare-box revenues are allocated on the basis of a combination of passengers carried and fares collected on each route; and*
- *property taxes are calculated as the difference between allocated costs and fare-box revenues.*

While the general approach is well established, the precise formulas for assigning routes, service hours, passengers and fares to each jurisdiction have been the subject of considerable discussion in recent years

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fees – when designing the service arrangement. Service participants could also contain total costs by limiting the life span of an arrangement. In the example of Nanaimo's Port Theatre (Topic Box 2.3), electoral area participants know with certainty what their total contribution will be under the specific arrangement.

Service Control:

Service control is the third key element of a regional service arrangement. Jurisdictions that choose to pursue cooperative service provision must accept a certain loss of control over the shape and future direction of the particular service. To capture the benefits associated with shared service provision, control over the service must be shared with other service participants.

A sustainable service arrangement allows for control to be shared in a way that:

- gives each participant the ability to influence decisions, and
- is responsive to fundamental changes (e.g., changes in population, demand for service, etc.).

To structure control in a way that meets these challenges, local governments need to understand the various design constraints and possibilities available under the *Local Government Act*, beginning with those that relate to the regional district board.

➢ Regional Board

In considering service control, it is important to recognize first that the regional district's board of directors is the ultimate governing body for all regional services. Figure 2.3 illustrates this reality. Figure 2.3 illustrates too, however, that control over service administration and operation can be customized to reflect the specific concerns and priorities of the participants. Examples of innovative voting structures and the delegation of authority to other bodies are becoming increasingly common throughout the province.

➢ Voting Structures

The *Local Government Act* provides significant discretion to regional service participants in designing voting structures for administrative and operational decisions. The following examples illustrate some of the approaches that service participants might choose:

Figure 2.3
Board of Directors

Type of Decision	Default Structure (Act)	Ability to Vary
Establishment of Service	Full board votes; one director, one vote. Directors linked to population.	None
Budgets, Borrowing and Property	Full board votes. Weighted vote linked to population.	None
Service Administration and Operation	Service participants only vote. Weighted vote linked to participation.	Significant · can change number of votes to each Director · control can be delegated

- *Total Equality* — This structure allows for an equal number of representatives, each of whom has one vote, from participating jurisdictions. The structure symbolizes an equal and balanced partnership in which decision-making power is not linked to the size of a jurisdiction's population, assessment base or level of use. The structure is used in some cases to prevent the potential dominance of larger partners.

- *Partial Equality* — This structure limits each representative to one vote, but provides for an unequal number of representatives from participating jurisdictions. When the number of representatives from each jurisdiction is linked to population, the structure allows for the potential domination by the largest area. Notwithstanding this potential, this structure may be seen as more equitable than the approach outlined previously.

- *Weighted Vote (Population)* — This structure is the default voting structure for money decisions at the regional board table. The potential for domination by one participant exists.

- *Weighted Vote (Contribution)* — This structure weights the vote according to the levels of financial contribution that jurisdictions make to a

service — the "greater pay, greater say" approach. This structure could be used in cases where the pattern of cost-allocation, which may be based on converted assessment or use, differs significantly from the distribution of population.

➢ Delegation

The *Local Government Act* makes explicit the authority of a regional board to delegate control over the operation of a service to a committee, commission or other form of management body established by the board. The following points identify some of the key features of these bodies:

- They are typically created to oversee one service or one type of service. As such, they allow members to focus their attention on issues that are related specifically to the service in question. Put differently, members are not preoccupied with issues that do not directly relate to the service for which the body is responsible.

- They are action, as opposed to advisory, bodies. As action bodies, they control resources, make expenditures, set targets, plan future activities, administer contracts and direct staff. They are distinct from other committees of the board that exist to provide policy advice in specific service areas.

- They reduce the workload of the regional board by relieving directors of the need to examine and debate issues related to the operation of the service in question. The board does, to be sure, need to review and approve the service's budget. Most other tasks, however, do not occupy the board's time.

- They are typically structured to minimize (or eliminate) the involvement of non-participants.

- Finally, they provide significant flexibility in the make-up of membership. These committees, commissions and management bodies normally include people, both elected and non-elected, who do not sit as board directors, but who have certain skills and/or experience that are perceived to add value to the service. The presence of these people further reduces the workload of Directors.

Topic box 2.5 provides two examples of special bodies that have been established to operate specific services. One example comes from the Capital Regional District; the other features the Thompson Nicola Regional District.

Topic Box 2.5 (i)
Capital Regional District
Juan de Fuca Parks and Rec Commission

The Capital Regional District Board of Directors established the Juan de Fuca Parks and Recreation Commission to administer parks and recreation services to most of the western communities in the Capital Region. Included in the commission's service area are five municipalities and one electoral area.

The commission is responsible for a multi-use complex that includes a pool, arena, curling rink, senior citizens centre and playing fields. The commission is also responsible for sports fields located in each community.

There are a total of twelve commissioners, including:

- *the directors from five of the six participating areas (one municipality with a small service area does not have a director on the commission);*
- *three appointees from each of the two largest participating members (at least one appointee must be a member of council); and*
- *one appointee from the combined remaining three municipalities.*

All appointees must be residents of the appropriate participating area.

Topic Box 2.5 (ii)
Thompson Nicola Regional District
Film Commission

The regional board has created a Film Commission to promote the film industry within the Thompson Nicola Region. The commission consists of eighteen voting members, all of whom are appointed by the board. The break-down of members is as follows:

- *two members from the board of directors, at least one of whom must be a director from the City of Kamloops;*
- *two members at large;*
- *two representatives of each of the media-print sector and film production industry; and*
- *one representative of each of the following sectors: financial services; legal services; film locations; film education; film services; media-television; media-radio; hospitality; restaurant.*

In an effort to provide continuity to the commission, different members are appointed for one, two and three year terms.

The commission model was chosen to involve experts and others in the function, to increase the function's profile and to make the function more independent of the board.

➢ Review and Exit Provisions

Bill 14 allows any one participant to initiate a review of an existing regional service arrangement, subject to certain notice provisions. Under the legislation, new participants are required to have been a member for five years before they can exercise their right to initiative a review. Service arrangements may, however, specify shorter waiting periods.

Bill 14 also facilitates, in certain cases, the withdrawal of participants from established regional service arrangements.

The provisions for service reviews in Bill 14 are discussed fully in Part II of the *Guide*. The exit provisions under Bill 14 will be featured in other ministry publications.

➢ Service Delivery

Any discussion on the control element of a regional service arrangement would be incomplete without raising the issue of service delivery.

Participants in regional service arrangements have, in theory, a number of delivery options. A particular service, for example, could be delivered by:

- a department of the regional district,
- a department of one of the member municipalities,
- an existing third party supplier (e.g., a non-profit society or a private sector company),
- a new third party supplier, created specifically to deliver the service in question, or
- a separate corporation wholly-owned by a local government.

In choosing the best method of service delivery for a given situation, participants must consider a number of factors:

- *Efficiency and Effectiveness* — The relative experience, capacity, size and cost structure of each potential delivery agency are important considerations.

- *Flexibility* — One structure may offer greater flexibility than another. Such flexibility may be important during the early stages of service delivery.

- *Labour Relations* — Where the service is already delivered by an established operator, changes to

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- *Flexibility* — One structure may offer greater flexibility than another. Such flexibility may be important during the early stages of service delivery.
- *Labour Relations* — Where the service is already delivered by an established operator, changes to

the arrangement may have labour relations implications.

- *Control* — In some cases, the agency in charge of delivery will increase, either intentionally or unintentionally, its level of influence over the shape and future direction of the service. Such an increase in influence can often result in an imbalance of control.

Depending on the circumstances surrounding the specific case, certain considerations will be more important than others. In some instances, concerns over an imbalance of control will be paramount. Left unchecked, an imbalance in control can grow and create tension among the service participants. Tensions tend to become acute in cases where regional directors feel that they have lost control over the day-to-day delivery of the service. Tensions can also become acute in cases where electoral area directors advocate a regional district delivery model in direct opposition to member municipalities that may be reluctant to relinquish the delivery function.

In Closing:

Service definition, service cost and service control are the three key elements of a regional service arrangement. In designing service arrangements, local governments must consider carefully each of these elements and their associated issues. The development of arrangements that are innovative and capable of standing the test of time requires a systematic examination of all of the points raised in this chapter.

3

DESIGNING SERVICE ARRANGEMENTS

Key Considerations

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Introduction:

The previous chapter discussed the issues that should be considered in designing the components of a service arrangement. This chapter explores the design question from some different perspectives. It discusses some of the factors that determine the need for creativity and innovation in a service arrangement. It examines, also, some of the common reasons for tension within service arrangements and steps that can be taken to mitigate those tensions.

One of the great strengths of British Columbia's regional district system is its adaptability. This is particularly true of regional service arrangements, which can be customized to meet the particular needs and circumstances of participants. No two regional districts offer the same spectrum of services and, where similar services are provided, the service arrangements can be very different. Even within a region, service arrangements need not be structured in the same fashion.

The potential for customizing services has always been a central feature of B.C.'s regional district legislation. With the passage of Bill 14, the *Local Government Act* offers even more opportunities for regional districts to tailor service arrangements to suit local situations. The question arises, therefore, what degree of customization is necessary and appropriate?

Standard vs. Customized Arrangements:

In practice, a large number of regional service arrangements are relatively straightforward. They cover a single, well defined service and are funded and governed using the 'standard' mechanisms laid out in the *Local Government Act*. They are funded in large measure through *ad valorem* property taxes allocated among participating members on the basis of converted assessment. They are managed by the board using the default representation and voting rules.

Regional districts may select the "standard" approach for a number of reasons:

- It is perceived as a fair and equitable method of organizing the service. Considerable thought and discussion went into designing the default model.
- Because it is generally used, it is easily accepted by all parties as the "normal" way of structuring an arrangement.
- The standard funding method is consistent with the way collective responsibilities, such as general government costs, are funded within regional districts. It is also in keeping with the

approach taken to funding services within municipalities.

- It avoids the prospect of complicated and time consuming negotiations on alternatives to the standard model. This is particularly relevant for small services.

- It has always been done that way and no problems have arisen.

For some or all of these reasons, regional districts will continue to select the standard approach for many of their service arrangements. Very often the simplest approach will be the best.

However, an increasing number of regional districts have considered and implemented variations on the standard approach for some of their services. These variations have been introduced either in response to concerns expressed at the initiation of a service or to address tensions that have arisen during the life of a service. Two of the more typical innovations have been:

- *Alternative cost-allocation methods* — It is increasingly common for regional districts to allocate service costs not on the basis of converted assessment but in proportion to the use made of the service. The measure of use can be linked directly to the service itself (e.g., sewage flows) or to a proxy for use (e.g., population). It is also increasingly common for regional districts to select a combination of cost-allocation methods as a way of reaching consensus among the participants (e.g., 50/50 converted assessment and population).

- *Delegation of service management* — Regional districts have begun to make more use of special committees and commissions to administer one or more services. These bodies have allowed boards to widen the range of persons involved in the management of the service.

Is there a pattern in these innovations? Can we define the circumstance where one type of arrangement is more appropriate than another? Unfortunately not — there is no perennial 'right' way of structuring a service. The best arrangement for a particular region at a particular point in time will depend on a combination of circumstances including:

- the nature and history of the service being considered,
- the demographic, social and economic characteristics of the participating communities,
- the extent to which there is a shared philosophy among the partners on public service provision and financing, and
- the extent to which the parties have cooperated successfully on other issues.

The interrelationship of these factors does not allow for a simple matching of service arrangements to a particular service or a particular circumstance. There are, however, considerations that regional districts should bear in mind when determining whether to vary from the 'standard' service arrangement. The text that follows identifies some considerations that relate to the nature of the service, and to the characteristics of the communities involved.

Considerations:

➢ Nature of the Service

A very wide spectrum of services may be provided through cooperative service arrangements (*Appendix 3* provides a sample list). It is impractical, therefore, to discuss each of the potential services individually. There are, however, some recurring issues that cut across the various services. Consider the following points:

- *Are there significant economies of scale?*— If so, it is likely that most of the partners could not provide the service themselves. Once in place, it will be very difficult for participants to exit from the service. Therefore, all participants will want to be very clear about the future obligations of participating in such a service and will want to feel that they have an effective voice in shaping the service. These concerns could be addressed either in the definition of the service or the governance arrangements.

- *Is access to the service or the quality of service received uneven?* — If so, care should be given to defining the level of service provided to different areas and/or the process by which service levels are determined. Where service levels are variable, participants should understand not only how existing costs will be allocated among beneficiaries but who will pay for any increase in service levels.

- *Are most of the benefits captured by users?* — If so, user fees may be a suitable method of cost recovery. Alternatively, costs could be

recovered through taxation but allocated among members on the basis of use.

- *Can non-participants be excluded?* — If not, there is always the potential for persons who live in non-participating areas to achieve a 'free-ride' on the service. These situations can be very contentious. Often the reluctance to participate is based on a difference in view as to the benefit actually received from a service. One way of addressing this concern is to measure use by area of residency and to link each area's financial contribution to usage. In these situations it is particularly important to be very precise about the nature and scale of the service that is being shared.

- *Is the benefit of the service easily measured?* — If not, attention should be given, when establishing the service, to ways by which the future success of the service will be measured. Periodic evaluation is a useful process for all services. It is particularly useful for new services that have little or no track record. It is very useful for services that generate broad but indirect benefits (e.g. economic development and transportation demand management).

➢ Characteristics of Participating Communities:

While no two communities are precisely the same, we can identify some similarities in the situations faced by service participants. Consider the following points:

- *Are there wide differences in the size (pop.) of the participating communities?* — If so, smaller members may feel reluctant to participate in a service over which they have little influence and from which they cannot effectively remove themselves. Smaller participants may seek limits on the scale of service and may seek greater control over the day to day management of the service. These concerns may be addressed through design of the governance arrangements.

- *Are there wide differences in urban character of the participating communities?* — If so, the residents of these areas may have very different expectations as to the appropriate level of service they wish to receive. Care should be given to defining the nature of the service expectations and the costs that will be shared.

- *Are there wide differences in the non-residential tax base?* — If so, communities may have very different capacities to fund the service and may be more or less willing to carry the costs of the service. Care must be taken to ensure that the financing and governance arrangements are synchronized. For example, a small community with a strong tax base may be reluctant to share that base with a much larger community if the larger community has effective control over the service.

Anticipating and Mitigating Tensions:

Over time, one or more participants in a service arrangement may become dissatisfied as a result of some fundamental changes in the nature of the service or the character of the communities being service. Some common causes of tension are:

- *Uneven population growth:* Changes in the pattern of residential development could cause a variety of problems for service arrangements:

  - Cost-allocation formulas may not reflect the population changes.

  - An increase in urbanization in some areas may trigger an increased demand for certain services (e.g. transit, recreation facilities, community parks, cultural facilities). Slower growing or less densely populated areas may not wish to help finance these "urban appetites".

  - Growth may be attracted to areas where taxes are low. Fringe area growth around a core municipality may generate increased use of services not cost shared by the area where growth occurs.

  - Growing communities may seek more influence within the region.

  - Growth management policies may restrict the pattern of development. Property owners outside the designated growth areas may be reluctant to share costs with those inside the growth areas.

- *Uneven economic performance* — Those areas experiencing weaker economic growth may express an unwillingness to pay more for

existing services or to participate in new services.

- *Uneven assessment changes* — Where market prices, changes in the industrial tax base and development patterns create uneven changes in property assessments, a redistribution of service costs can result. This redistribution could lead to changes in the taxes paid by some residents even though there has been no change in service received. This issue tends to be significant where costs are spread over a wide service area but assessment changes are localized.

- *Unanticipated increases in cost* — The cost of delivering the service may increase rapidly as a result of unexpected events (e.g. new environmental standards). The required investment may be large and uneven in impact (e.g. some sewage treatment plants may need to be upgraded, others may not). The prospect of large increases could trigger disagreement about the way in which these unexpected costs should be shared among the participants.

- *Dissatisfaction with a service provider* — Where the region contracts delivery of a service to an external provider (e.g., a member municipality), the board may become dissatisfied with the quality of service provided, the cost of the service or the degree of control it exercises over day to day issues connected with the service.

- *Inability to exit* — Participants feel trapped inside a service because they cannot provide the service any other way or because the opportunity to exit has not been provided. Frustration or dissatisfaction with one service tends to spill over to other services.

Many of these situations can be anticipated and to some extent mitigated in the design of the service arrangements. For example:

- *Establish Guiding Principles* — A mutually agreed set of guiding principles can be a valuable backdrop to the more detailed service arrangement. As conditions change, the principles become a reference document for confirming the underlying purpose of the service and the way in which the parties wish to work together.

- *Develop Multi-Year Service Plans* — For major services, it is useful to develop longer term service plans that anticipate demographic and economic trends. The plans should address not only service requirements but cost-recovery and cost-allocation.

- *Build in Flexibility* — Wherever possible, the arrangements should automatically adapt to changing conditions or should allow for periodic adjustments. For example, the principle of cost-allocation based on service use could be adopted. The parties would agree to measure use and adjust the usage factors according to a defined timetable.

- *Build in Formal Review Dates* — The parties can agree ahead of time on formal fixed review dates (e.g. every ten years). The need for a review could be waived by unanimous consent of the parties on the date of the scheduled review.

- *Build in Triggers* — The service arrangement could establish triggers that would prompt a service review at times other than established dates. For example, the trigger could be a rapid increase in the tax requisition for a participating jurisdiction.

- *Define Exit/Entry Conditions* — The service arrangements could spell out the obligations of the parties or the process by which those obligations would be determined. They would include the obligation of any party leaving the service to the remaining participants. In addition, the arrangements could anticipate the terms and conditions that would apply to late-joiners to a service.

- *Define a Dispute Resolution Process* — The parties could agree ahead of time to the process by which disputes would be resolved.

Although one or more of these mechanisms could be useful in particular circumstances, there is no necessity for regional districts to over-design service arrangements, especially with the new provisions of the *Local Government Act*. Service arrangements are not contracts that need to anticipate every possible eventuality. They are partnerships based on mutual interest and, as such, they need not be elaborate or complex. Moreover, because they are partnerships set within established governance structures, issues can be debated and decided as they arise. If the partners have mutually supportive objectives and a good history of working together, tensions will, for the most part, be successfully resolved within the established governance structure.

With the new service review and service withdrawal options in the *Local Government Act*, participants have a degree of flexibility that was not previously present. Therefore, in many circumstances a relatively simple service arrangement, coupled with the dispute resolution provisions in the *Act*, may be adequate for most situations. Some of the more complicated elements listed above may only be needed in situations where past practice has demonstrated the difficulty of resolving tensions as they arise.

This *Guide* does not review the consent, approval and implementation processes that need to be followed in establishing service arrangements. Figure 3.1 does, however, provide a link to the relevant information resources.

Figure 3.1
Consent, Approval and Implementation Processes

The legal framework for these processes is contained in Part 24 of the *Local Government Act*. Further detail on the legislative requirements can be found in *Bulletin F.3.2.0 — Regional District Service Establishing Bylaws: Content and Approval Processes*, available online at www.marh.gov.bc.ca.

In addition to the legislative requirements in Part 24, regional boards should consider the following issues when implementing service arrangements:

- consistency of the bylaws with other statutes such as the *Library Act*, the *Parks (Regional) Act* and environmental laws and regulations;
- the benefits of dialogue with full municipal councils as well as regional directors;
- consultation with the public, over and above the minimum required by statute;
- the use of a broadly based 'visioning' committee to oversee the development and management of services for a sub-area of the regional district; and
- feasibility studies to better define the shared service and its possible costs.

In Closing:

The new *Local Government Act* provides additional flexibility in designing regional service arrangements. In many situations, however, that flexibility will not be needed — the standard, or default, provisions in the legislation will represent the most appropriate approach to follow. In other situations, particularly where tensions have arisen in the past, some customization will be beneficial.

The next chapter provides a case study of an innovative service arrangement that was developed in response to some of the issues discussed earlier.

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4

SERVICE ARRANGEMENT CASE STUDY

Regional District of North Okanagan

The Regional District:

The Regional District of North Okanagan (RDNO) is situated at the top end of Okanagan Lake. The region's population of 72,000 is spread among six member municipalities and five electoral areas. The list of member municipalities includes the:

- City of Armstrong,
- City of Enderby,
- City of Vernon,
- District of Coldstream,
- District of Spallumcheen, and
- Village of Lumby.

Figure 4.1 on the following page provides a snap-shot of the regional district. Data of each jurisdiction's population, number of directors, voting strength and assessment base are presented.

Featured Service Arrangement:

The Greater Vernon Parks, Recreation and Culture service is the focus of this case study. At the time of writing, this service is in the process of being established under the regional district's *Greater Vernon Parks, Recreation and Culture Service Conversion and Service Establishment Bylaw No. 1648, 2000.*

Background:

In 1976, RDNO was granted, by Supplementary Letters Patent (SLP), the function of Community Parks and Recreational Programs and Facilities for the whole of the regional district. The SLP divided the Region into four "Designated Areas" — Greater Vernon, which today includes the City of Vernon, Electoral Areas B and C and the western half of Coldstream, was identified as Designated Area 1.

The Greater Vernon Parks and Recreation District (GVPRD) was established as the *de facto* sub-regional service for Area 1.

In 1978, *Regional District Bylaw No. 255* established a GVPRD Standing Committee to oversee the sub-regional function. The committee was comprised of:

- one representative of the City of Vernon Council,
- one representative of the District of Coldstream Council, and
- the Electoral Area Director from each of Areas A, B and C (Area A existed at the time)

Bylaw 255 also created the option for the school board to appoint one of its elected members to the committee.

In 1980, *Regional District Bylaw No. 342* tilted the balance of power on the committee in favour of Vernon. Under *Bylaw 342*, Vernon's representation on the committee was increased to three members of council. Representation from other areas was held constant.

In 1995, *Regional District Bylaw 1280* further amended the membership of the standing committee by removing reference to Electoral Area A. In that year, a boundary restructure resulted in the amalgamation of the largest part of Area A (Okanagan Landing) with the City of Vernon.

Under each of the bylaws noted, the standing committee has functioned as an advisory body to the regional board.

Delivery of the GVPRD service was contracted by the regional district to the City of Vernon under a separate 1976 agreement.

Figure 4.1
North Okanagan Regional District

Jurisdiction	Area[1]	Population[3]	% Total Population	Number Directors	Voting Strength	General Assessment[5]	% Total Assessment
Armstrong	534	3,906	5.5	1	2	222,682,670	4.9
Enderby	419	2,754	3.8	1	2	143,407,218	3.1
Vernon	9,662	31,817	44.4	3	13	2,189,418,957	47.7
Coldstream	7,654	8,975	12.5	1	4	615,829,909	13.4
Spallumcheen	26,358	5,322	7.4	1	3	335,188,370	7.3
Lumby	516	1,689	2.4	1	1	87,058,710	1.9
Area B	661	5,323	7.4	1	3	270,586,826	5.9
Area C	334	3,588	5.0	1	2	297,508,480	6.5
Area D	1,781	2,919	4.1	1	2	139,446,216	3.0
Area E	2,779	1,050	1.5	1	1	44,828,700	1.0
Area F	1,895	4,264	6.0	1	2	241,424,320	5.3
Total	7,902[2]	71,607[4]	100.0	13	35	4,587,380,376	100.0

Notes

1. Area shown for municipalities in hectares; for electoral areas in km^2 (1 km^2 = 100 hectares).
2. Total area expressed in km^2.
3. 1996 census figure including population increases certified by the Minister.
4. Includes people living on Indian Reserves. These figures are used to determine number of directors and voting strength.
5. 1998 General Purposes Assessment.

Reviewing the GVPRD:

Over time, concerns related to various aspects of the GVPRD were raised by participants in the function. The District of Coldstream, in particular, identified a number of issues that it wished to have addressed through a review of the existing service arrangement. A list of Coldstream's issues, outlined in a series of memoranda during the mid-1990s, included the following points:

- *Mandate* — The key issue raised by Coldstream related to the mandate for the service. Coldstream contended that the scope of parks and recreation services provided under the GVPRD had expanded to the point where the range of activities was no longer consistent with the function's original mandate (as outlined in the 1976 referendum to establish the service). The concern that new facilities and activities were able to be added to the function without the consent of certain participants, including Coldstream, was also raised.

- *Local vs. Regional Facilities* — Related to the concern over the service's expanding scope was a concern about the unclear distinction between local and regional facilities. Coldstream felt that a number of the facilities included in the function (e.g., tot lots, trails) were of a local nature and should, therefore, have been undertaken and maintained by the individual jurisdictions, outside of the service.

- *Service Goals and Objectives* — Coldstream questioned the process through which the goals and objectives for the GVPRD were established. When were the goals and objectives that existed in the mid-1990s determined? When were those goals and objectives reviewed and endorsed by the participants?

- *Inter-jurisdictional Equity* — Issues were raised with respect to the geographic distribution of regionally-funded facilities. More specifically, Coldstream was concerned that the location of parks and recreation facilities did not reflect the financial contributions of the different jurisdictions.

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- *Mandate* — The key issue raised by Coldstream related to the mandate for the service. Coldstream contended that the scope of parks and recreation services provided under the GVPRD had expanded to the point where the range of activities was no longer consistent with the function's original mandate (as outlined in the 1976 referendum to establish the service). The concern that new facilities and activities were able to be added to the function without the consent of certain participants, including Coldstream, was also raised.

- *Local vs. Regional Facilities* — Related to the concern over the service's expanding scope was a concern about the unclear distinction between local and regional facilities. Coldstream felt that a number of the facilities included in the function (e.g., tot lots, trails) were of a local nature and should, therefore, have been undertaken and maintained by the individual jurisdictions, outside of the service.

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- *Inter-jurisdictional Equity* — Issues were raised with respect to the geographic distribution of regionally-funded facilities. More specifically, Coldstream was concerned that the location of parks and recreation facilities did not reflect the financial contributions of the different jurisdictions.

- *Service Delivery* — As noted, the City of Vernon was contracted by the regional district to deliver the parks and recreation service. The benefits of using the city's existing administration in this capacity were clear. There was a concern, however, that Vernon's role as delivery agent, coupled with the city's size, would erode the influence of the other (smaller) participants.

In response to Coldstream's concerns, the participants agreed to review and, ultimately, restructure the GVPRD. A GVPRD Ad Hoc Committee was established by the board to conduct the review. The result of the committee's efforts is the new Greater Vernon Parks, Recreation and Culture service under *Bylaw 1648.*

Details:

The text that follows describes the key provisions of the new service arrangement. Each element of the arrangement is discussed separately, beginning with service definition.

➢ Service Definition

Section 3 of *Bylaw 1648* identifies the specific activities that are within the scope of the regional service. The range of activities includes:

- the operation of recreational programs and facilities,
- the acquisition, improvement and maintenance of land, buildings and facilities, and
- a series of specific cultural services and grants.

Not included in the service is the new multi-use arena complex that is presently under construction in Vernon. The new facility has been established as a separate sub-regional service with a service area that includes the City of Vernon, Electoral Areas B and C and the whole of the District of Coldstream. The reason for excluding the complex from the GVPRD relates to the dual purpose behind the complex's development. The decision to undertake construction of the facility was taken, in part, to address the sub-region's recreation needs, but also to support the City of Vernon's economic development goals. In recognition of this dual purpose, Coldstream requested that the complex be funded as a separate service, outside of the GVPRD framework.

Section 4 of *Bylaw 1648* is of particular interest to the discussion of service definition. The section states that "it is the intention of the board not to change the scope of the service without the unanimous consent of all participants". This provision addresses one of the key concerns – the expanding scope of service – that prompted the review of the GVPRD.

As with the GVPRD, the service area for the new Parks, Recreation and Culture service consists of the jurisdictions that, together, constitute Greater Vernon. Included are the City of Vernon, all of Electoral Areas B and C and the western half of the District of Coldstream. Why only the western half of Coldstream? For many years, Coldstream has been divided into two areas for parks and recreation funding. The eastern half of the municipality – Municipal Voting Division 2 – contributes to the White Valley Parks and Recreation District, which is centred around the Village of Lumby. The western half – Voting Division 1 – has contributed to the GVPRD since the service's inception in 1976.

The division of the municipality into two areas has become increasingly difficult to rationalize. The direct beneficiaries of the GVPRD and the new Greater Vernon Parks, Recreation and Culture service include people from both Voting Divisions of the district. The new service arrangement provides for the eventual expansion of the service area to include all of Coldstream.

➢ Service Cost

The arrangement addresses the key issues related to service cost — namely how to pay for the service (cost-recovery), who should pay for the service (cost-allocation) and how to contain the overall cost (cost-containment).

The approach taken to cost-recovery relies on both user fees and *ad valorem* property taxes. It is the participants' objective to recover all program costs using fee revenues solely. Other costs are to be funded using *ad valorem* property taxes.

As was the case under the GVPRD, the tax burden for the new service is being allocated in accordance with the converted assessment of improvements; the assessed value of land is not included in the cost-sharing formula. Parks, recreation and culture are seen as people-oriented services. The allocation of costs on the basis of improvements helps to assign the costs of the service to the service beneficiaries.

The parties to the arrangement have placed a cap on

the amount of revenue that can be requisitioned annually through taxation. The amount, set at $1.45 per $1,000 assessment, has been set to accommodate a small increase to the existing budget for the GVPRD.

➢ Service Control

The regional district has established a Greater Vernon Parks, Recreation and Culture Committee to administer the service. The new committee, like its predecessor under the GVPRD, is to consist of:

- three representatives of the Council of the City of Vernon
- one representative of the Council of the District of Coldstream
- the Director for Electoral Area B
- the Director for Electoral Area C
- one representative of School District 22

The voting structure for the committee is unchanged from that which applied to the GVPRD Standing Committee: each member has one vote on all matters. (The only exception applies to the school district representative, who is entitled to vote only on matters that relate to school district property, and to services or facilities funded by the school district.)

Regional District Bylaw 1649 delegates authority for the provision of the service to the committee. By design, *Bylaw 1649* delegates the maximum amount of authority permitted under the *Local Government Act*. The regional board is to be involved only on those specific matters which, as per section 191 of the *Act*, cannot be delegated to the committee. And even on those matters, the board is expected to vote in accordance with the wishes of the committee.

This delegation of authority over administration and operations sets the new committee apart from its GVPRD predecessor. Prior to *Local Government Act* amendments in 1998, the regional board was not permitted to delegate such authority to its standing committees. As a result of this limitation, the GVPRD Standing Committee remained an advisory body, never able to make final decisions for the service. The new committee, while created by the board, does not report or refer matters to the board. The new committee, by design, enjoys a significant amount of autonomy.

The service arrangement includes a number of other provisions, in addition to the establishment of the committee, that define the system of control for the service. Consider the following points:

- *Ownership* — The parties to the arrangement have agreed to rationalize the system of ownership over the various facilities and parklands in the sub-region. Ownership over all facilities and parks that are of a local nature (e.g., tot lots) is to be placed under the individual jurisdictions. Ownership of facilities and lands which are of a regional nature, however, is to be transferred to the regional district.

  This decision to consolidate ownership of sub-regional facilities with the regional district is significant. The body that owns the facilities is the body that ultimately controls the service. The transfer of ownership to the Region, in effect, transfers ultimate control from the individual participants to the regional board.

- *Service Delivery* — The arrangement makes an explicit division between staff who operate the service, and staff who provide policy advice to the committee. Under the arrangement, all persons involved in policy development are to be regional district staff, or consultants reporting to the regional district Administrator. Delivery of the service is to be contracted out by the regional district. All persons involved in service delivery are to report to the contractor (which, at present, is the City of Vernon).

  This provision was drafted specifically to address the concerns raised by Coldstream about the perceived high level of influence that Vernon enjoyed over the GVPRD. Under the GVPRD, staff at the city oversaw both the operation of, and the policy development for, the service. The potential for control inherent in this dual role was perceived to be high. The decision to separate policy development from delivery was taken to preclude an imbalance of control.

- *Voting at the Board* — As noted earlier, *Bylaw 1649* delegates authority over operations to the committee. Section 791(6) of the *Local Government Act* stipulates that certain matters, namely those related to budgets, borrowing and property acquisition, must be determined by the board on the basis of the weighted vote. The board may not alter the weighted voting structure for these issues. Section 791(4) of the *Act*, however, does allow the board to alter the voting structure for other matters, specifically issues related to the operation and administration of the service. In the Greater Vernon Parks, Recreation

and Culture service arrangement, the voting structure for these matters at the board has been customized as follows:

- only directors from participating areas in the service may vote on operational and administrative matters; and
- each director has one vote (i.e., no weighted voting).

This customized structure, coupled with the presence and role of the committee, serves to significantly limit any practical role in the service for the regional board as a whole.

- *Reconsideration* — The new arrangement allows any member of the committee to initiate a reconsideration of any committee decision. The reconsideration process is not an appeal process *per se*, in that the committee's decisions are not appealed to a separate body, such as the board. Instead, the committee's decisions that are tabled for reconsideration are revisited by the committee itself at a subsequent meeting.

  A motion for reconsideration that is presented by a municipal member of the committee must be supported by at least two-thirds of that member's municipal council. In the case of a rural member of the committee, the motion must be supported by at least two-thirds of all electoral area directors.

  This provision has been included primarily to afford the committee a period of reflection – a "sober second thought" – on important issues. When triggered, the reconsideration mechanism sends a clear message that the particular decision is of major concern to one of the participants. Those jurisdictions in support of the decision are, in effect, cautioned to consider carefully the possible consequences of their votes.

- *Review and Withdrawal* — The new service arrangement makes reference to the right of participants under the *Local Government Act* to initiate a service review and, in some cases, to withdraw from service altogether. The arrangement also, however, provides its own separate provision for withdrawal, over and above the legislation. The arrangement states that a participant may withdraw from the service if the scope of the service is changed without the participant's consent. The condition attached to this added power is that the participant must address the increased financial liabilities of the remaining participants, in the event that such increases occur. The way in which to address any increased liabilities would be the subject of negotiations.

Observations:

A general observation to make with respect to the Greater Vernon Parks, Recreation and Culture service concerns the comprehensive nature of the new arrangement. The parties involved in designing the new arrangement systematically considered the full range of elements and issues that are critical to the development of any sustainable service arrangement. Various provisions have been crafted to address the tensions that existed in the past. Other provisions have been added to minimize the potential for new tensions in the future.

The way in which control over the service has been addressed deserves further comment. The new arrangement has been carefully designed to preclude the consolidation of power by one jurisdiction. A number of provisions have been built into the arrangement to ensure that control, in both theory and in practice, is shared by the participants. Consider the following clauses:

- The separation of policy development from service delivery attempts to redress any imbalance in influence that might occur (or that has occurred in the past).

- The transfer of ownership over regional facilities to the regional district places ultimate control with the collective.

- The reconsideration clause serves to give notice to members that a proposed course of action may threaten the stability of the partnership. Time for considering consequences – the "sober second thought" – is provided.

- The customized withdrawal provision, linked as it is to the scope of activities, gives both clout and a sense of comfort to those participants who fear an ever-expanding scope.

These important and well-conceived provisions are effective "checks and balances" on the consolidation of control over the service. Together, they will help to preclude the dominance of one participant.

It is interesting to note that the arrangement does not explicitly address the equity concern raised by

Coldstream with respect to the distribution of facilities and expenditure of funds. Coldstream is, however, satisfied that the checks and balances outlined above will be sufficient to ensure that the committee deals with facility development and expenditures in an equitable fashion.

A final observation relates to the spirit of cooperation that underlies the written arrangement. The significant changes to the original GVPRD agreement would not have been possible without the recognition by all participants of the legitimacy of Coldstream's concerns. Each party acknowledged the concerns and accepted the need to design a structure that spread control across jurisdictions. Each participant understood that its residents would be best served by a strong sub-regional service, and that the development of such a service required every partner to make concessions.

In Closing:

What has been the influence of the Bill 14 amendments on the new arrangement? Put simply, the legislative changes passed in June, 2000 made it possible for the arrangement to be structured in the way that it is. More specifically, the Bill 14 changes made possible:

- the significant degree of delegation to the committee,
- the customized voting structure at the board level on issues related to administration and operation of the service, and
- the triggering of service review and withdrawal mechanisms by any one participant.

It is interesting to note that the service arrangement was designed before the new legislation had been introduced. Had Bill 14 not been brought forward, the participants would have required Orders in Council to achieve the arrangement envisioned for Greater Vernon.

PART II

REGIONAL SERVICE REVIEWS

5

REGIONAL SERVICE REVIEWS

Introduction

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Part I of the *Guide* focused on the development of regional service arrangements. The question of whether or not to pursue cooperative service provision was explored, the key elements of service arrangements were identified and advice on designing – or packaging – arrangements was provided. A case study from the Regional District of North Okanagan was presented to illustrate how, in practice, innovative service arrangements are developed.

Part II moves beyond development to examine the review of regional service arrangements. Local governments throughout the province have undertaken regional service reviews in one form or another since regional districts came into being in the mid 1960s. Regional service reviews are not, to be sure, a new phenomenon. They have, however, assumed a new importance as of late, thanks to the legislative changes introduced through Bill 14.

Regional service reviews constitute a major element of the new legislation. The new *Act* includes a default review process that can be initiated, subject to certain conditions, by individual participants in any regional service. The *Act* also provides participants the authority to include their own alternative review process in the service establishment bylaw.

In light of the recent legislative changes, it is important for local governments to understand the key issues surrounding regional service reviews. The chapters in Part II of the *Guide* attempt to provide the level of understanding that is required. This chapter begins the discussion by:

- identifying some of the potential benefits of reviews,
- providing advice to local governments on when to review, and
- examining the different types of reviews from which participants in regional services can choose.

To Review or Not to Review...

Regional boards and their members have traditionally been reluctant to revisit existing service arrangements. The reasons for their reluctance vary by situation, but typically include the following points:

- *"A Deal is a Deal"* — Service arrangements represent a compromise by the individual participants. In order to capture the benefits associated with shared provision, each participant needs to accept a less-than-perfect deal. No one jurisdiction will get everything it wants from the arrangement.

- *Inter-arrangement Equilibrium* — In most cases, local governments are involved in several inter-jurisdictional agreements with the same parties. Invariably, a certain amount of "give

and take" occurs across the full range of agreements. Jurisdictions will give more concessions on one arrangement, but take more concessions on another. In order for the system to work, services cannot be treated in isolation from one another. A review involving just one service arrangement risks upsetting the delicate inter-arrangement equilibrium. The result may very well be the unraveling of the entire series of arrangements.

- *Improvement Impossible* — The regional board may feel that, notwithstanding the concerns raised by participants, the existing arrangement represents the best possible approach. The board may worry that any discussion of alternatives would create expectations that would be impossible to meet.

- *Cost of Reviews* — Service reviews can be expensive to undertake, time consuming and even traumatic to the participants. Reviews offer no guarantee that a mutually-acceptable resolution will be achieved. There is always the risk that the review will aggravate, rather than improve, the situation.

- *Mandate for Change* — Newly elected representatives – many of whom will have likely campaigned on a theme of "change" – often press for reviews without a complete understanding of prior commitments or the types of alternatives available.

- *Reviews as Surrogate Vehicles* — The process of a review can be manipulated and used to raise issues that are not directly related to the service(s) in question.

These concerns are all reasonable and legitimate, and help to explain why regional service participants may be cautious in initiating service reviews. In some cases, however, the potential benefits of a review may convince the participants to undertake one. Consider some of the benefits of regional service reviews:

- *Pressure Valve* — A review can be an effective pressure valve in situations where one or more participant feels trapped in what is perceived to be an unsatisfactory arrangement. The feelings of resentment and frustration that develop in such situations can, if ignored, impact the ability of partners to collaborate in other areas of service, and on other issues.

- *Education Tool* — A service review process can be an effective way to educate and inform participants about the nature of particular servicing issues and the implications of alternative servicing approaches. A better understanding of the situation is often all that is needed to mitigate tensions.

- *Change May Not Result* — Change from the *status quo* is not the automatic outcome of a service review. The participants in a review may decide, after considering the alternatives, that the *status quo* is the best possible approach under the circumstances.

- *Withdrawal Not Possible* — A service review may be the only way to address concerns and relieve tension in arrangements where withdrawal is either not practical, or not permitted by legislation or regulations.

When to Review:

The traditional reluctance of regional boards to undertake service reviews is based on a variety of important concerns that should not be ignored. Service reviews, to be sure, can be costly and divisive, and offer no guarantee of a mutually-acceptable outcome. The potential benefits associated with service reviews, however, illustrate that the exercise is recommended at certain times. The key is to know when.

In general, local governments should consider service reviews in the following types of situations:

- *Change in Vision* — Regional service arrangements are normally pursued to implement a shared vision, or set of objectives, held by the participants. When one or more of the participants feels that the shared vision has changed, the service arrangement may no longer be appropriate. In such cases, a service review may be in order.

- *Change in Scope* — In some cases it is the service itself, and not the vision, that has changed. Over time, certain broad types of services such as recreation tend to expand in scope and take on activities that are not consistent with the vision as set out by the participants. A service review can be an effective way to realign the service with the shared objectives.

- *Change in Local Conditions* — The various components of a service arrangement are designed to reflect the local conditions that exist at the particular point in time. The scope and level of a service, for example, will be defined to reflect the needs and demands of the local populations of the day. The formula for sharing costs will also be based on particular demographic, assessment and/or usage patterns within the service area. Over time, these patterns, along with local needs and demands, will invariably change. When changes are perceived to be substantial, a service review should be considered.

- *Agreement in Advance* — For certain types of services, participants may agree in advance to regular or periodic reviews of the service arrangement. The actual range of services that would fall into this category would likely vary by region, but could include services:

  - that are likely to be influenced by rapidly changing local conditions (e.g., population growth);
  - to which participants make a significant financial contribution;
  - that have traditionally been associated with controversy;
  - that take-on, for whatever reason, a particularly high profile; and
  - that do not allow for service withdrawal under the *Act*.

  In cases where regular service reviews have been scheduled in advance, the service arrangement may contain an override clause by which participants, on a two-thirds or unanimous basis, could choose to forego the exercise.

Undertaking a Review:

Reviews need not always be formal, lengthy exercises, initiated to overhaul an entire service arrangement. In certain cases, the participants in a service will agree that, with the exception of one component, the arrangement governing the service works well. Mutually acceptable amendments to the faulty component may be relatively easy to develop and implement. For example, participants in a transit service may agree that the cost-allocation formula requires updating to reflect new usage data. Apart from the required update, however, the arrangement is sound, and a more formal service review is not required.

In some situations, this potential for a quick resolution to a relatively simple problem will exist. In many cases, however, the prospect of a straightforward exercise is less certain. Where issues are complex, where differences among participants are significant, or where the existing arrangement is perceived to be fundamentally flawed, a full service review will likely be required.

➢ Reviews Under the *Act*

The *Local Government Act* provides two basic options for participants interested in undertaking a full service review:

- *Statutory Review* — The statutory review is the default option outlined in Division 4.5 of Part 24 of the *Act*. Under section 813.04 in that Division, a statutory review can be initiated by any one participant in any regional service, subject to the following conditions:

  - the participant has been in the service for at least five years (unless a shorter period is identified in the service establishment bylaw);

  - the service in question has not been subject to a formal review within the past three years; and

  - the establishing bylaw does not include an alternative review process (the statutory process is not available where an establishing bylaw includes a customized alternative — see below).

- *Bylaw-based Review* — Section 800.2(1)(c.2) of the *Act* gives participants in a regional service the authority to design their own review process as part of the service establishing bylaw. Once developed, this customized review process – referred to here as a bylaw-based review – supersedes the statutory default provisions in Division 4.5.

Which option is the preferred course of action? In most cases, it is believed that the bylaw-based approach is best.

- This option is most proactive in that it encourages the participants, before problems arise, to design a fair and effective process for reviewing the service and resolving differences.

- The bylaw-based option frees the process from the constraints (e.g., timelines) that apply to the statutory review. In allowing this freedom, the bylaw-based option gives to participants the full power to resolve their differences themselves.

- This option allows the participants to address all service-related questions, including questions related to the extension of a service area to take-in non-participating jurisdictions that benefit from the service (this particular question cannot be targeted in a statutory review).

- The bylaw-based option allows the participants to include other parties in the review process. Other parties, while not participants in the service, may be significantly affected by the service and the outcome of any service review (see Figure 5.1).

Figure 5.1
Additional Parties to a Review

A recent service review undertaken by the Regional District of Nanaimo (see chapter 7 Case Study) involved the assessment of a number of regional services, including recreation in the Greater Nanaimo (city) area. This service, known as Southern Community Recreation, is essentially a funding mechanism through which the electoral area participants contribute recreation dollars to the City of Nanaimo's recreation function.

The city is not a participant in the regional Southern Community Recreation service, but it is the body that delivers, and pays the largest share of, the recreation function. As a key stakeholder in the function, it was imperative that the city be involved in the service review, even though it is not, in strict terms, a party to the service arrangement.

Are there situations where participants might prefer to rely on the statutory review? Yes. The statutory process, based as it is in provincial legislation, may help to increase the profile of the issues at stake. The timelines attached to the default process may also serve to expedite the review of the service. Finally, participants may wish to take advantage of the services of a facilitator who, under section 813.01, may be appointed by the Minister.

For further information ...

The ministry has produced two *Bulletins* which provide further information on the review options under the *Act*.

➢ *Bulletin F.3.5.0* deals specifically with the default provisions that apply to the statutory review option. This *Bulletin* also provides information on service withdrawal.

➢ *Bulletin F.3.2.0* outlines the authority for the bylaw-based option.

Both *Bulletins* are available online at www.marh.gov.bc.ca.

Both options tie-in to the service withdrawal provisions of the *Act*. As such, where parties in either type of review fail to reach agreement on key changes to the service arrangement, any one party may initiate withdrawal from the service, in cases where withdrawal is permitted by the legislation.

The requirement for a three-year interval between service reviews also applies to both approaches. Thus, participants who wish to initiate either type of review may do so only if at least three years have elapsed since the previous statutory or bylaw-based review was undertaken.

Finally, it should be noted that participants who decide to design their own bylaw-based review process must proceed in accordance with that process. A decision to ignore the alternative process in favour of the statutory option would require an amendment to the establishing bylaw. The amendment would require unanimous support of the participants.

➢ Reviews Outside of the *Act*

In addition to the two review options identified above, local governments may choose to design and undertake a review that is independent of the review provisions in the legislation. This third option is termed a *Non-legislative Review*.

In practice, the non-legislative review is very similar to the bylaw-based option. Both are proactive in nature, both are free from the legislative constraints that apply to the statutory review, both can address all types of service-related questions and both can include all stakeholders – participants as well as others – in the process. Why, then, might local governments choose to undertake a non-legislative review? Consider the following points:

- A decision to undertake a non-legislative review allows parties to discuss and reconsider key elements of an arrangement in a process that is less formal than those which are invoked through provincial statute or regional district bylaw.

- The non-legislative review may be an appropriate choice in cases where parties do not

- The bylaw-based option frees the process from the constraints (e.g., timelines) that apply to the statutory review. In allowing this freedom, the bylaw-based option gives to participants the full power to resolve their differences themselves.

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The requirement for a three-year interval between service reviews also applies to both approaches. Thus, participants who wish to initiate either type of review may do so only if at least three years have elapsed since the previous statutory or bylaw-based review was undertaken.

Finally, it should be noted that participants who decide to design their own bylaw-based review process must proceed in accordance with that process. A decision to ignore the alternative process in favour of the statutory option would require an amendment to the establishing bylaw. The amendment would require unanimous support of the participants.

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- A decision to undertake a non-legislative review allows parties to discuss and reconsider key elements of an arrangement in a process that is less formal than those which are invoked through provincial statute or regional district bylaw.

- The non-legislative review may be an appropriate choice in cases where parties do not

anticipate, or do not have available, the possibility of service withdrawal. Under the *Act*, service withdrawal can be initiated, for a limited number of services, only after an unsuccessful statutory or bylaw-based review. Parties involved in a non-legislative review cannot initiate the *Act's* service withdrawal provisions in the event that the review does not result in agreement.

- The required three-year interval between reviews does not apply to the non-legislative option. Parties in a non-legislative review may be willing to resolve issues in an incremental fashion, knowing that the next opportunity to settle any remaining issues is not necessarily far off. Parties also know that, if required, a more formal bylaw-based or statutory review can immediately follow a failed non-legislative attempt. Parties in this situation also know that the time spent in initial non-legislative review is not time wasted. The information collected and the options developed can be used in the formal review.

➢ Transition Issues

Local governments have been undertaking non-legislative reviews, in one form or another, for many years. Recent legislative changes do not impact the ability of governments to continue with this type of review.

There are also no transition issues with respect to the statutory review option. The default provisions in Division 4.5 came into force on January 1, 2001, making the statutory option available immediately to participants in every regional service.

Transition is an issue with the bylaw-based review option. The legislative authority to design bylaw-based reviews does, to be sure, now exist (s. 800.2). The task of developing customized review processes, however, means, in practical terms, that this review option will not be immediately available in all cases. Participants in new services will have the opportunity to design alternative review processes and incorporate them into establishing bylaws as the new bylaws are developed. Participants in existing services, however, will need to introduce alternatives to the statutory default through amendments to the existing establishing bylaws.

It is expected that, in practice, a regional board will develop a standard review process that will be referenced in several different establishing bylaws. The task of updating many bylaws to provide for the bylaw-based review option is not, therefore, expected to be excessively onerous.

In Closing:

The potential benefits derived from regional service reviews have led some regional boards and their members to overcome their traditional reluctance to re-examining service arrangements. Local governments have come to recognize that service reviews, properly executed, can produce positive outcomes for all players involved.

The next chapter provides guidance on how to design and undertake a service review. A suggested process is presented for consideration.

6

REGIONAL SERVICE REVIEWS

Suggested Process

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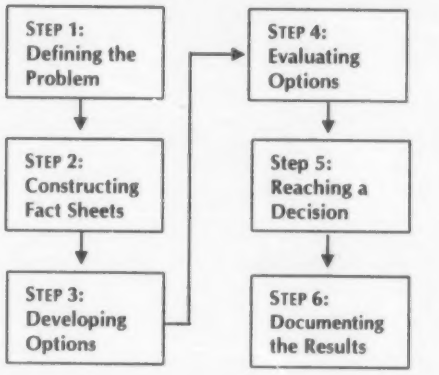
This chapter outlines a suggested process for boards and their members to follow in undertaking service reviews. The process, which is illustrated in Figure 6.1, consists of the following six steps:

- defining the problem,
- constructing fact sheets,
- developing options,
- evaluating the options,
- reaching a decision, and
- documenting the results.

The suggested process will be most useful as a template to assist boards and their members in designing and undertaking the bylaw-based service review option, or the non-legislative option. The process will be of more limited value to parties intent on pursuing a statutory review. The default provisions set out in Division 4.5 of Part 24 of the *Act* specify various requirements that, taken together, prescribe certain steps that participants in a statutory review must follow. These requirements are identified in Figure 6.2, and explained in detail in *Appendix 1*.

Figure 6.1
Suggested Process for Regional Service Review


STEP 1: Defining the Problem
STEP 2: Constructing Fact Sheets
STEP 3: Developing Options
STEP 4: Evaluating Options
Step 5: Reaching a Decision
STEP 6: Documenting the Results

Key Players:

Before examining the individual steps of the review process, it is useful to consider who to involve in the review exercise. First and most important is the point that every service review, whether conducted as a bylaw-based, statutory or non-legislative initiative, is a joint undertaking of the regional district and its members. It is imperative that representatives of every participating municipality and electoral area, as well as the board, be actively involved throughout all stages and in all discussions. In some cases, it will also be necessary to involve representatives from jurisdictions that are not participants in the service,

Figure 6.2
Requirements Unique to the Statutory Review Option

Division 4.5 of Part 24 of the *Local Government Act* contains various requirements that are unique to the statutory review option.

- Section 813.02 identifies the parties to a service review: the initiating participant, all other participants in the service and the regional board. The section also specifies the persons who shall represent each of the parties in the review process. The legislation does not allow for a *Steering Committee*, as envisioned under step 1 of the suggested process (Figure 6.1). The legislation is silent on the role of staff in the review — staff's participation, as such, could be arranged with the agreement of all parties.
- Section 813.04 confirms that any participant may initiate a service review (subject to certain conditions). The participant that initiates the review has the power to specify, through written notice, the service that is to be reviewed.
- Section 813.01 gives the minister the option of appointing a facilitator to a statutory review that has been initiated. At any time during the review, the facilitator is available, on request, to facilitate negotiations, assist the parties in resolving disputed issues and assist the parties in establishing their own mediation or other dispute resolution processes.
- Section 813.06 requires the board to arrange a preliminary meeting of the parties within 120 days of a statutory review being initiated. The preliminary meeting provides an opportunity for the initiator, the board and the other participants to collectively determine the ultimate scope of the exercise. The preliminary meeting is also the forum in which the parties must establish a negotiation process (timelines, evaluation criteria, etc.) for addressing the key issues.
- Section 813.07 requires the parties to begin negotiations within 60 days after the preliminary meeting.
- Section 813.03 establishes a required cost-sharing arrangement for the funding of statutory reviews.

For further information, see *Appendix 1* of the *Guide*, or *Bulletin F.3.5.0* at www.marh.gov.bc.ca.

but have a major stake in how the service is delivered and funded.

The elected representatives of the participating and stakeholder areas collectively form the *Steering Committee* for the review. In its role as overseer of the exercise, the steering committee:

- approves the scope of the review and the specific steps to be followed
- defines the problem(s) to be addressed
- provides input as required
- approves the options to be considered
- identifies the evaluation criteria to be used
- submits the final report, along with recommendations, to the Board

A *Working Group*, made up of senior staff from the regional district and member municipalities, should be created to provide support to the steering committee at all stages of the review. The Working Group is responsible for ensuring that the review process and timelines are respected, and that the steering committee is provided with timely and full information.

In addition to these two bodies, the parties to the review may wish to make use of external consultants. Consultants, when carefully chosen, bring useful experience and neutrality to the process. From a purely practical perspective, they also bring the capacity (i.e., time available) to undertake the study — a capacity which may not exist in-house.

Service Review Process:

➢ Step 1: Defining the Problem

As its first order of business, the steering committee should decide which services are to be included in the review. In some cases, the concerns raised by participants will apply to only one service. More often, however, a number of services will be involved, either because the concerns apply across several services, or because partners are unwilling to consider one arrangement in isolation from others.

In determining the scope of the review, the committee should be mindful of practicalities. If too many services are included, the review process risks becoming excessively lengthy, complicated and difficult to manage. It may be better to postpone the examination of certain items to a future process. In the event that items are deferred, however, the Committee may wish to formalize its commitment to

For further information ...

The ministry is developing a document on the use of interest-based negotiation. The information in this document may be useful to participants in the service review process. The document is available online at www.marh.gov.bc.ca.

a future review, in order to assure participants that the deferred items will be not be forgotten.

Once the scope has been established, the committee needs to prepare and endorse a statement of the problem(s) that the review is intended to address. The problem statement should identify the different concerns and perspectives raised by the various participants, but should not pass judgement on the legitimacy or value of the different views. At this early step in the review process, it is important that the full range of concerns and perspectives be presented. Figure 6.3 provides some examples of problem statements that might be prepared by a committee.

During this first step of the review, the committee might be tempted to set preconditions on the range of outcomes that should be considered during the exercise. The committee may, for example, wish to prescribe that no outcomes which result in more than a 5% tax increase for any jurisdiction will be considered. While the idea of limiting the scope of outcomes may be attractive, it may not be practical or sensible to set such terms at the beginning of a review. The resistance that some participants feel toward change at the outset of the process may fade as it becomes evident during the review that substantial change is warranted.

Some participants may have concerns about the potential pace or magnitude of change associated with an outcome. These concerns can easily be addressed at the end of a review through the creation of phase-in provisions.

Figure 6.3
Sample Problem Statements

Sample 1

"At present, only three electoral areas participate in the regional parks service. The three municipalities do not participate, but have developed their own regionally-significant parks. The cost of acquiring regionally-significant sites is increasing rapidly; the existing regional parks service is unable to acquire an adequate amount of land.

"The purpose of the Review is to examine the merits of creating a region-wide service that is focused on the acquisition of regionally-significant sites. The Review should include the consideration of appropriate cost-allocation and governance structures for such a service."

Sample 2

"All jurisdictions in the region currently participate in the library service. Costs are allocated on the basis of converted assessment. The largest municipality is concerned that its portion of library service's tax burden is growing more rapidly than in other jurisdictions on account of increasing land values within the city. At the same time, the level of service provided (e.g., hours of operation) is not meeting the expectations of urban residents. The municipality is considering withdrawing from the service. For their part, the electoral areas are concerned about the limited scope of library service outside of urban areas.

"The Service Review will examine three issues:

- the merits of alternative cost-allocation methods for library services
- the process for establishing service levels
- the appropriate terms and conditions for withdrawal from the service"

➢ Step 2: Constructing Fact Sheets

Once the scope of the exercise and the problems to be addressed have been outlined, the steering committee should construct a *Fact Sheet* for each service under review. The purpose of the fact sheets is to establish a common understanding of the *status quo* for each service. This common understanding provides an agreed-upon basis on which to proceed.

The fact sheets should include an overview of the three key elements of each service arrangement: definition, cost and control (see chapter 2). The sheets should also include any historical and contextual information that is deemed relevant to the review. For example, if cost control is an issue, the fact sheets might include information on how costs have changed over time. Finally, the sheets should identify the different perspectives that exist on the key issues.

After the fact sheets have been drafted they should be reviewed and, ultimately, approved by the committee. Approval by the committee signifies that the common understanding of the *status quo* – and, thus, a common basis for the review – has been achieved.

It is interesting to note that in addition to establishing a basis for the review, the fact sheets help to educate the parties on the regional service arrangements under review, the limitations to possible changes and the perspectives of others. By providing this education, the fact sheets themselves often resolve misunderstandings and tensions. In some cases, the construction of the fact sheets will eliminate the need for a full review.

Figure 6.2
Requirements Unique to the Statutory Review Option

Division 4.5 of Part 24 of the *Local Government Act* contains various requirements that are unique to the statutory review option.

- Section 813.02 identifies the parties to a service review: the initiating participant, all other participants in the service and the regional board. The section also specifies the persons who shall represent each of the parties in the review process. The legislation does not allow for a *Steering Committee*, as envisioned under step 1 of the suggested process (Figure 6.1). The legislation is silent on the role of staff in the review — staff's participation, as such, could be arranged with the agreement of all parties.
- Section 813.04 confirms that any participant may initiate a service review (subject to certain conditions). The participant that initiates the review has the power to specify, through written notice, the service that is to be reviewed.
- Section 813.01 gives the minister the option of appointing a facilitator to a statutory review that has been initiated. At any time during the review, the facilitator is available, on request, to facilitate negotiations, assist the parties in resolving disputed issues and assist the parties in establishing their own mediation or other dispute resolution processes.
- Section 813.06 requires the board to arrange a preliminary meeting of the parties within 120 days of a statutory review being initiated. The preliminary meeting provides an opportunity for the initiator, the board and the other participants to collectively determine the ultimate scope of the exercise. The preliminary meeting is also the forum in which the parties must establish a negotiation process (timelines, evaluation criteria, etc.) for addressing the key issues.
- Section 813.07 requires the parties to begin negotiations within 60 days after the preliminary meeting.
- Section 813.03 establishes a required cost-sharing arrangement for the funding of statutory reviews.

For further information, see *Appendix1* of the *Guide*, or *Bulletin F.3.5.0* at www.marh.gov.bc.ca.

but have a major stake in how the service is delivered and funded.

The elected representatives of the participating and stakeholder areas collectively form the *Steering Committee* for the review. In its role as overseer of the exercise, the steering committee:

- approves the scope of the review and the specific steps to be followed
- defines the problem(s) to be addressed
- provides input as required
- approves the options to be considered
- identifies the evaluation criteria to be used
- submits the final report, along with recommendations, to the Board

A *Working Group*, made up of senior staff from the regional district and member municipalities, should be created to provide support to the steering committee at all stages of the review. The Working Group is responsible for ensuring that the review process and timelines are respected, and that the steering committee is provided with timely and full information.

In addition to these two bodies, the parties to the review may wish to make use of external consultants. Consultants, when carefully chosen, bring useful experience and neutrality to the process. From a purely practical perspective, they also bring the capacity (i.e., time available) to undertake the study — a capacity which may not exist in-house.

Service Review Process:

➢ Step 1: Defining the Problem

As its first order of business, the steering committee should decide which services are to be included in the review. In some cases, the concerns raised by participants will apply to only one service. More often, however, a number of services will be involved, either because the concerns apply across several services, or because partners are unwilling to consider one arrangement in isolation from others.

In determining the scope of the review, the committee should be mindful of practicalities. If too many services are included, the review process risks becoming excessively lengthy, complicated and difficult to manage. It may be better to postpone the examination of certain items to a future process. In the event that items are deferred, however, the Committee may wish to formalize its commitment to

For further information ...

The ministry is developing a document on the use of interest-based negotiation. The information in this document may be useful to participants in the service review process. The document is available online at www.marh.gov.bc.ca.

a future review, in order to assure participants that the deferred items will be not be forgotten.

Once the scope has been established, the committee needs to prepare and endorse a statement of the problem(s) that the review is intended to address. The problem statement should identify the different concerns and perspectives raised by the various participants, but should not pass judgement on the legitimacy or value of the different views. At this early step in the review process, it is important that the full range of concerns and perspectives be presented. Figure 6.3 provides some examples of problem statements that might be prepared by a committee.

During this first step of the review, the committee might be tempted to set preconditions on the range of outcomes that should be considered during the exercise. The committee may, for example, wish to prescribe that no outcomes which result in more than a 5% tax increase for any jurisdiction will be considered. While the idea of limiting the scope of outcomes may be attractive, it may not be practical or sensible to set such terms at the beginning of a review. The resistance that some participants feel toward change at the outset of the process may fade as it becomes evident during the review that substantial change is warranted.

Some participants may have concerns about the potential pace or magnitude of change associated with an outcome. These concerns can easily be addressed at the end of a review through the creation of phase-in provisions.

Figure 6.3
Sample Problem Statements

Sample 1

"At present, only three electoral areas participate in the regional parks service. The three municipalities do not participate, but have developed their own regionally-significant parks. The cost of acquiring regionally-significant sites is increasing rapidly; the existing regional parks service is unable to acquire an adequate amount of land.

"The purpose of the Review is to examine the merits of creating a region-wide service that is focused on the acquisition of regionally-significant sites. The Review should include the consideration of appropriate cost-allocation and governance structures for such a service."

Sample 2

"All jurisdictions in the region currently participate in the library service. Costs are allocated on the basis of converted assessment. The largest municipality is concerned that its portion of library service's tax burden is growing more rapidly than in other jurisdictions on account of increasing land values within the city. At the same time, the level of service provided (e.g., hours of operation) is not meeting the expectations of urban residents. The municipality is considering withdrawing from the service. For their part, the electoral areas are concerned about the limited scope of library service outside of urban areas.

"The Service Review will examine three issues:

- the merits of alternative cost-allocation methods for library services
- the process for establishing service levels
- the appropriate terms and conditions for withdrawal from the service"

➢ Step 2: Constructing Fact Sheets

Once the scope of the exercise and the problems to be addressed have been outlined, the steering committee should construct a *Fact Sheet* for each service under review. The purpose of the fact sheets is to establish a common understanding of the *status quo* for each service. This common understanding provides an agreed-upon basis on which to proceed.

The fact sheets should include an overview of the three key elements of each service arrangement: definition, cost and control (see chapter 2). The sheets should also include any historical and contextual information that is deemed relevant to the review. For example, if cost control is an issue, the fact sheets might include information on how costs have changed over time. Finally, the sheets should identify the different perspectives that exist on the key issues.

After the fact sheets have been drafted they should be reviewed and, ultimately, approved by the committee. Approval by the committee signifies that the common understanding of the *status quo* – and, thus, a common basis for the review – has been achieved.

It is interesting to note that in addition to establishing a basis for the review, the fact sheets help to educate the parties on the regional service arrangements under review, the limitations to possible changes and the perspectives of others. By providing this education, the fact sheets themselves often resolve misunderstandings and tensions. In some cases, the construction of the fact sheets will eliminate the need for a full review.

Appendix 2 provides a sample fact sheet that was produced as part of the Regional District of Nanaimo's recent Regional Service Review (chapter 7 presents Nanaimo's Review as a Case Study).

➢ Step 3: Developing Options

A critical step in the review process is the development of options for responding to the key problems. Developing options is not always a straightforward exercise for the steering committee. In many cases, participants will be contemplating changes to several different aspects of a service arrangement (e.g., scope of activity, cost-allocation, service control, etc.). An attempt to design options that anticipate and incorporate all contemplated changes would result in an unmanageable number of possible approaches.

The exercise of developing options is more of an art than a science. There is no one correct approach, and there is no one correct list of candidates. There are, however, some guidelines that should be kept in mind by the committee. Consider the following points:

- As in all policy discussions, the *status quo* should be considered as a viable option in a service review. It may not be perfect, but it might be preferable to the alternatives.

- It is useful to identify common assumptions on which the options are based. For example, all options might assume the same mix of participants. The reasons for holding the assumptions constant should be explained.

- Ideally, three to five options, including the *status quo*, should be developed. Any number fewer than three will not provide the committee with enough variety for its analysis; any more than five will make the exercise too confusing.

- The options developed by the committee should reflect fundamentally different approaches to a problem. Consider three options that are developed to address the problem of equity as it relates to cost-allocation. One option could propose an approach based on converted assessment, one could propose a system based on service provided and one could be based on service used. Various permutations of each basic option should be avoided at this stage of the review. In later stages of the review, the options will be refined and developed further as their implications become better understood.

Once developed, each option should be described clearly. A comparison of the options according to defined characteristics is a useful way of ensuring that each option is well understood by committee members. For example, it may be useful to show the property tax impacts of alternative cost-allocation approaches.

A review of the options and their characteristics at this stage may provide committee members with enough information to agree on an approach, or to suggest specific refinements to the options. Where this situation occurs, further evaluation of the options may not be required — committee members can ignore step 4 of the process and proceed directly to step 5 (reaching a decision). Where agreement cannot be reached, the step 4 exercise of formally evaluating the options may be necessary.

➢ Step 4: Evaluating the Options

A formal evaluation allows the steering committee to assess each of the options against a common set of criteria. The criteria selected for the evaluation will depend on the values and interests of the parties involved. The working group must work with the committee to develop a set of appropriate criteria. Where collaboration with the elected officials is not possible, advisors must themselves anticipate the types of criteria that are most relevant. Figure 6.4 presents a list of criteria that could apply to different reviews.

It is important that the criteria be defined as precisely as possible, especially where their meanings may be ambiguous or open to interpretation. Consider equity. Most parties would agree that any cost-allocation method in a regional service arrangement should be equitable — "equity", therefore, should be a criterion. But what exactly does equity mean? Equity, like beauty, is to some extent in the eye of the beholder. In any given situation, there may be as many interpretations of equity as there are parties involved.

With terms such as equity that are subject to multiple interpretations, clear definitions are required. Is equity in the particular context achieved when costs are allocated in accordance with ability to pay, or in accordance with actual usage of the service? Or does equity refer, instead, to equality of payments? These types of questions need to be asked in order to eliminate ambiguity.

Finally, it is not useful at this stage of the review to

Figure 6.4
Sample Evaluation Criteria

- Certainty — Do participants understand the nature of the service being supplied, the scale of costs involved and their obligations for funding the service?
- Equity in Governance — Do participants have an effective voice in decision making? Is it possible that decisions could be dominated by one of the partners?
- Equity in Financing — Is the distribution of the costs equitable? Does everyone pay their fair share? Different concepts of equity could be considered, for example:
  - Benefiter Pay — Do residents and taxpayers contribute in accordance with the benefits they receive from public funded services.
  - Ability-to-Pay — Do taxpayers contribute in relationship to their ability to pay taxes.
- Cost-Effectiveness — Does the funding method encourage cost-effective provision of the service? Does the design of the cost-recovery or cost-allocation methods create high administrative costs or compliance costs?
- Simplicity/Visibility — Do residents and taxpayers understand who pays for the service?
- Stability/Predictability — Does the revenue source provide a stable and predictable base of income so that governments may plan expenditures without concern over unexpected reductions in revenue?

rank the various evaluation criteria. The objective of the formal evaluation is to help the committee to understand the implications associated with each option, not to determine which option is "best". The evaluation, when conducted properly, generates a body of objective information that can be used by the committee in its discussions aimed at reaching a decision. These discussions take place in the next step of the review.

➢ Step 5: Reaching a Decision

By this stage of the review, the steering committee will have developed a clear understanding of the various options being considered, as well as the implications associated with each option. With this knowledge, each member of the committee will be in a position to identify which approach is in his or her jurisdiction's best interest.

Once identified, the preferred approaches of all of the individual parties need to be declared to the group so that areas of common interest can be established. The "best" option will be the one that most closely matches the common interest.

The process of establishing areas of mutual interest does not need to be elaborate. A facilitated workshop can provide the setting for participants to present and discuss their various perspectives.

The exercise of matching options to the common interest may be relatively straightforward. Participants, however, should expect at this stage to refine the options further so that they may be adapted to accommodate specific concerns.

Finally, many (if not most) service reviews will consider a variety of individual services rather than just one service on its own. In determining how to resolve the issues raised by the review, the committee will need to design packages of options that cut across services and accommodate many concerns. Within each package, different elements will promote the specific interests of the different parties. The package as a whole, however, will promote the overall common interest.

➢ Step 6: Documenting the Results

Once the review has been completed, the regional district's staff are typically responsible for implementing the agreed-upon changes (in the event that such changes were determined). There is often precious little time available to fully document the key aspects of the review. Proper documentation, however, is important. In cases where a final agreement was reached, the documentation can help to explain to future decision-makers and the public what agreement was reached, how it was reached and why it was reached. In cases where a final agreement was not possible, the documentation can identify the barriers that participants were not able to overcome. The lessons learned by the parties involved may, if properly documented, help future decision-makers avoid similar pitfalls.

At the end of a successful review, certain documents such as amendment bylaws will be required in order for staff to proceed with implementation. Other documents, which are not necessarily required, are also important. Memorandums of understanding, for example, are useful for recording the shared intentions and vision of the participants.

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A report on the review process is another important part of the documentation package. The report should include:

- a description of the process for the review,
- definitions of the problems that were addressed,
- fact sheets for each service,
- descriptions of the options,
- an outline of the evaluation criteria,
- the results of the evaluation,
- a description of the decision reached, and
- summaries of discussions at facilitated meetings, where applicable

Time Line:

Speed is not the most critical factor in undertaking a regional service review. The parties involved need to take the time required to fully explore the key issues that the review has been initiated to address, and the opportunities that the review may present.

It is important, however, that the review process not be used to delay addressing the problem. The process should proceed according to a set schedule. Major gaps between steps should be avoided.

In Closing:

This chapter has presented a sample process for conducting a regional service review. The next chapter features a case study from the Regional District of Nanaimo to illustrate how, in practice, a recent review was undertaken. Nanaimo's exercise was conducted as a non-legislative review, in part because it pre-dated the recent changes to the *Act*.

7

SERVICE REVIEW CASE STUDY

Regional District of Nanaimo

The Regional District:

The Regional District of Nanaimo (RDN) is situated on the East Coast of Vancouver Island. The Region's population of 122,000 is spread among three member municipalities and eight electoral areas. The member municipalities are the:

- City of Nanaimo,
- City of Parksville, and
- Town of Qualicum Beach.

Many of the region's services are provided on a sub-regional basis. The region has two distinct sub-areas that are based on school district boundaries: District 69 in the north and District 68 in the south.

Figure 7.1 on the following page provides a snap-shot of the regional district. Included in the figure is information for each jurisdiction on population, converted assessment, the number of directors and the voting strength.

The City of Nanaimo is the largest jurisdiction in the Region and its representatives on the board have more than half of the weighted votes. In both the North and the South, significant development has occurred outside of municipal boundaries. Nanaimo and Parksville are the major commercial centres. However, there is substantial non-residential assessment in some of the electoral areas.

Featured Case Study:

The focus of this case study is a major review of regional services initiated by the RDN Board of Directors in January 2000. The review encompassed six areas of regional cooperation. Some of these areas were existing or proposed regional services. Others related to regional participation in municipally provided services. The board is expected to make final decisions based on the results of the review in the near future.

Background:

A number of inter-related events led to the service review:

- *Southern Recreation* — The City of Nanaimo is facing pressure for new and improved recreation facilities and services in response to population growth in Greater Nanaimo. In recent years, the city has expressed frustration over the unwillingness of surrounding electoral areas to increase their support for established services and to contribute to the cost of new facilities.

  Under an existing agreement, three of the four Electoral Areas in area 68 make a contribution to operating costs based on a cost-allocation formula that was established many years ago, when the parties first shared capital costs. The City of Nanaimo believes the formula to be out of step with the benefit received by residents of the electoral areas. In 1997, Gabriola Island (Area B) chose not to participate in the southern recreation function and to transfer the funding to its own recreation programs. In response, the city introduced a surcharge on non-residents who use the city's recreation services but do not contribute to the cost of those services. The surcharge has been unpopular and the city would like to replace it with a new cost-sharing arrangement.

- *Transit Services* — In 1999, regional staff proposed the amalgamation of the two existing (north and south) transit functions. To accommodate the change, they proposed a new cost-allocation method linked to service received. Members of the regional board,

Figure 7.1
Regional District of Nanaimo

Jurisdiction	Area[1]	Population[3]	% Total Population	Number Directors	Voting Strength	General Assessment	% Total Assessment
District 68							
City of Nanaimo	12,555	70,130	57.6%	6	29	4,729,150,332	52.2
Area A	52	6,155	5.1%	1	3	417,165,045	4.0
Area B	61	3,479	2.9%	1	2	478,464,461	3.9
Area C	1080	1,499	1.2%	1	1	186,025,640	3.6
Area D	52	4,907	4.0%	1	2	378,843,115	3.4
District 69							
City of Parksville	1685	9,472	7.8%	1	4	818,690,299	8.7
Qualicum Beach	1355	6,728	5.5%	1	3	685,143,850	6.2
Area E	76	4,677	3.8%	1	2	621,631,414	5.5
Area F	262	5,288	4.3%	1	3	370,236,252	4.0
Area G	59	6,429	5.3%	1	3	600,064,127	5.3
Area H	286	3,019	2.5%	1	2	325,525,525	3.1
Total	2,082[2]	121,783[4]	100.0	16	54	9,610,940,060[5]	100.0

Notes

1. Area shown for municipalities in hectares; for electoral areas in km^2 (1 km^2 = 100 hectares).
2. Total area expressed in km^2.
3. 1996 census figure including population increases certified by the Minister.
4. Includes people living on Indian Reserves. These figures are used to determine number of directors and voting strength.
5. 1998 General Purposes Assessment.

especially City of Nanaimo representatives, were unwilling to endorse such a change in isolation from other service reviews.

- *Septage Treatment* — The Region is facing increasing concerns over the costs and impacts of treating septage at its two sewage treatment plants. The board has discussed the concept of a user-pay for septage disposal but has not reached agreement on a long-term cost-recovery strategy.

These issues came to head in late 1999 when the City of Nanaimo refused to extend fire protection to properties in a neighbouring electoral area until the issue of regional cost-sharing for recreation was resolved. To help resolve the larger issue, the regional board decided to undertake a major review of selected regional services.

In addition to southern recreation, transit and septage, board members selected other services that could be usefully considered as part of a package of service reforms. For example, the board identified regional parks as a service that should be included. At the time, only electoral areas were participating in the regional parks service. Therefore, board members were anticipating, to some extent, the prospect of increased participation by municipalities in some services and increased participation by electoral areas in other. In this respect, they were anticipating potential trade-offs among the various members and, in doing so, were increasing the prospects for wide agreement on a package of reforms.

In total, the board identified six services to be covered by the review:

- regional services
  - conventional and custom transit
  - septage treatment
  - economic development
  - regional parks and trails
- electoral area participation in municipal services
  - Southern Community Recreation

– community parks (sports fields)

The participants in these services are shown in Figure 7.2. Over the course of the review, the community parks service became more precisely defined as a sports field issue. Economic development was not, at the outset of the review, an established service.

Focus of the Review:

The review was intended, primarily, to examine equitable approaches to cost-sharing for services that benefit taxpayers in more than one jurisdiction. The review was also concerned with the issue of who should provide the regional services. In keeping with the RDN's strategic direction of "examining intergovernmental jurisdictional relationships", the review aimed to determine which governments, in the future, would be best suited to providing the services in question.

The Process:

The board decided on a two-part process:

- *Phase I: Review* — The purpose of Phase I was to produce cost-sharing and service-provision options for consideration by the RDN's Board of Directors.
- *Phase II: Decision-Making* — In Phase II the RDN Directors were to discuss the Phase I findings in an effort to reach agreement on the preferred options for the equitable provision of regional services.

A steering committee, made up of senior staff from the RDN and the three member municipalities, was established to oversee and support the process.

Phase 1 — Development of Options:

In April 2000, the regional board hired a team of consultants to conduct Phase 1 of the review. The work of the consultants had two elements:

- *Fact Sheets* — A fact sheet was prepared for each of the six regional services. The fact sheet outlined the current method of funding and providing the service, and identified issues of concern to the participants. The sheets were based on written documentation, interviews with regional directors, regional staff and municipal staff. The fact sheets were reviewed and approved by the steering committee before work

Figure 7.2
Participants by Service

Jurisdiction	Transit	Septage	Economic Development	Sports Fields	S. Community Recreation	Regional Parks & Trails
District 68						
City of Nanaimo	x	X	P	P	x	P
Area A	x	X	P	P	x	x
Area B		P	P	P	P	x
Area C		P	P	P	x	x
Area D	x	X	P	P	x	x
District 69						
City of Parksville	x	X	P	P		P
Qualicum Beach	x	X	P	P		P
Area E	x	X	P	P		x
Area F		P	P	P		x
Area G	x	X	P	P		x
Area H		P	P	P		X

P – Potential participant

began on new cost-sharing options.

- *Analysis of the Options* — Potential options were identified and short-listed through a process of structured discussions with the steering committee, facilitated by the consultants. Subsequently, the consultants analyzed the impact of each option. The analysis included: identification of characteristics that would be common to all options; a comparison of the financial impact of each option, compared to the *status quo*; comments on service provision; and, other comments of relevance to the selection of the options. The analysis did not include a formal evaluation of the options against defined criteria.

The Options presented by the consultants had some common themes including:

- *Clarity in Service Definition* — A clear and precise definition of the service being shared. This was particular true for recreation, sports fields, regional parks and septage treatment.

- *Range of Cost-Sharing Options* — The analysis examined a range of cost-sharing approaches for each service including, for example:

  - benefiter-pay approach — Where relevant and practical, a benefiter-pay approach to cost-allocation was included among the options.

  - membership fees approach — For some services, the concept of club membership fees was used in one of the cost allocation options. The concept would be a combination of a 'base' membership fee linked to converted assessment and a 'variable' fee linked to use of the service.

- *Financial Impact* — The financial impact was displayed both in terms of total tax requisition and the tax that would be paid by a 'typical' homeowner for each service.

While it was always understood that any changes flowing from the review process would likely result in a package of changes, Phase I did not identify such packages.

The final report of Phase I was presented to the steering committee and the regional board before finalization. The review was completed over a period of five months.

Phase II — Decision Making:

Phase II of the process began with a half day workshop of the board facilitated by an experienced independent local government practitioner. The purpose of the workshop was to seek consensus on the most promising options to be followed. The Workshop was successful in establishing five general principles that would guide the decision-making process:

- Usage should be the primary basis for cost-allocation.

- Existing usage data should be used in the first year; new usage data should be gathered over the course of 2001 for implementation in 2002; and, usage data should be updated every three years.

- Large increases in taxation should be phased-in over multiple years.

- The board should undertake appropriate public consultation and review processes.

- The package of changes should address five of the six issues — economic development was excluded from further discussions.

Following the workshop, the steering committee was asked to develop a package of changes for consideration by the board based on these five principles. They did this by first developing more specific governance and cost-sharing principles and then by selecting specific packages consistent with those principles. Draft recommendations were discussed with elected officials and modified in response to suggestions received. During the course of these discussions, some of the options developed in Part 1 of the review process were fine tuned (e.g., a usage threshold for specific sports fields to be included in the regional service.)

In December, 2000, the RDN Board gave approval in principle to a new model for sharing the costs and management of five regional services. The board endorsed the general principles that had been established earlier and added the agreed approaches to governance and cost-sharing presented in Figure 7.3. In keeping with these principles and approaches, the board gave its approval to specific changes in cost-allocation formulas. The regional district intends to undertake an extensive public consultation and review process before considering final adoption of bylaws and service agreements.

Figure 7.3
Agreed Approach in the RDN
(reproduced from RDN documents)

Governance or Decision-Making Principles

- Where a regional function or service exists or is created by bylaw, all participants will have full voting rights in accordance with the *Local Government Act*.
- Where a regional function does not exist and a function is provided through a service agreement, participants receiving service through the service agreement will have input through an advisory body (e.g., recreation commission).

Cost-Sharing Principles

- Where a regional function or service exists or is created by bylaw, all participants will cost share fully in the function, including debt, capital and operating costs.
- Where a regional function does not exist and a function is provided through a service agreement, participants receiving service through a service agreement will only cost share in the operating costs of the function.
- New sports fields and recreation facilities will be added to service agreements based on survey data which demonstrate the sport field or recreation facility's broad regional use (e.g., greater than 10%).

Observations:

Although the final steps have yet to be completed, it is clear that the service review process followed by the RDN has been successful. It has helped the regional board resolve the more contentious cost-sharing and governance issues that had threatened the overall working relationship at the board table.

The success of any process depends, ultimately, on the willingness of the decision-makers to seek a solution to the problems identified. However, some of the design features of the RDN review process increased the probability of success:

- From the beginning, staff and elected officials recognized that a successful outcome would be possible only if the board was presented with a package of reforms. Any attempt to change individual services in isolation from other changes was unlikely to be successful. The package included both regional services and municipal services to which the region contributes funding.
- By dividing the process into two parts, the board was able to separate the fact finding and options development exercise from the more difficult decision-making process. As a result, the options development exercise was free to consider a wide range of alternatives.
- By starting the decision-making process with a search for guiding principles, the board was able to set a general direction before considering the precise financial impacts of any particular package of measures. The format and tone of the initial workshop in Phase II was generally regarded as excellent; in large part attributable to the skill and experience of the facilitator chosen.

This is not to say that the process was always smooth or certain of producing successful results. At times, especially during Phase II, the prospect of agreement seemed remote. Without a defined or agreed dispute resolution, the parties simply had to keep trying to find a package of changes that could be supported by most members of the regional board and municipal councils. In the end the ground work laid by Part I of the review, coupled with the imagination of the steering committee and the flexibility of elected officials has taken the board to the verge of a successful conclusion.

In Closing:

The RDN service review was initiated prior to passage of the new legislative framework for service reviews created by Bill 14. More importantly, some of the services considered as part of the RDN review are not be captured by the service review provisions of the new *Local Government Act*. For example, the City of Nanaimo would not be able to trigger a review of southern community recreation service because it is not a direct participant in the regional service. Only the electoral areas that contribute to the regional function could trigger a review. For similar reasons, it is expected that many future regional service reviews will be conducted outside of the framework of the new legislation.

Figure 7.3
Agreed Approach in the RDN
(reproduced from RDN documents)

Governance or Decision-Making Principles

- Where a regional function or service exists or is created by bylaw, all participants will have full voting rights in accordance with the *Local Government Act*.
- Where a regional function does not exist and a function is provided through a service agreement, participants receiving service through the service agreement will have input through an advisory body (e.g., recreation commission).

Cost-Sharing Principles

- Where a regional function or service exists or is created by bylaw, all participants will cost share fully in the function, including debt, capital and operating costs.
- Where a regional function does not exist and a function is provided through a service agreement, participants receiving service through a service agreement will only cost share in the operating costs of the function.
- New sports fields and recreation facilities will be added to service agreements based on survey data which demonstrate the sport field or recreation facility's broad regional use (e.g., greater than 10%).

Observations:

Although the final steps have yet to be completed, it is clear that the service review process followed by the RDN has been successful. It has helped the regional board resolve the more contentious cost-sharing and governance issues that had threatened the overall working relationship at the board table.

The success of any process depends, ultimately, on the willingness of the decision-makers to seek a solution to the problems identified. However, some of the design features of the RDN review process increased the probability of success:

- From the beginning, staff and elected officials recognized that a successful outcome would be possible only if the board was presented with a package of reforms. Any attempt to change individual services in isolation from other changes was unlikely to be successful. The package included both regional services and municipal services to which the region contributes funding.
- By dividing the process into two parts, the board was able to separate the fact finding and options development exercise from the more difficult decision-making process. As a result, the options development exercise was free to consider a wide range of alternatives.
- By starting the decision-making process with a search for guiding principles, the board was able to set a general direction before considering the precise financial impacts of any particular package of measures. The format and tone of the initial workshop in Phase II was generally regarded as excellent; in large part attributable to the skill and experience of the facilitator chosen.

This is not to say that the process was always smooth or certain of producing successful results. At times, especially during Phase II, the prospect of agreement seemed remote. Without a defined or agreed dispute resolution, the parties simply had to keep trying to find a package of changes that could be supported by most members of the regional board and municipal councils. In the end the ground work laid by Part I of the review, coupled with the imagination of the steering committee and the flexibility of elected officials has taken the board to the verge of a successful conclusion.

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APPENDIX 1

REQUIREMENTS OF A STATUTORY SERVICE REVIEW

APPENDIX 1

Requirements of a Statutory Service Review

The service review process suggested in chapter 6 of the *Guide* will be most useful as a template to assist boards and their members in designing and undertaking the bylaw-based service review option, or the non-legislative option. The process will be of more limited value to parties intent on pursuing the statutory review option. The default provisions set out in Division 4.3 of Part 24 of the *Local Government Act* specify various requirements that, taken together, prescribe certain steps that parties to a statutory review must follow.

This appendix outlines the legislative requirements associated with the statutory review option. The requirements addressed in the appendix relate to:

- initiating a review
- participants in a review
- scope of a review
- costs of a review
- preliminary meeting
- using a facilitator
- negotiations

Initiating a review:

A service participant (either a municipal council or electoral area director) can initiate a statutory review under Division 4.5, Part 24 of the *Local Government Act*. To initiate a review the participant has to provide written notice to the regional district board, all the other participants in the service and the Minister of Municipal Affairs. The notice must include the following elements:

- a description of the existing terms and conditions of the service arrangement that the participant finds unacceptable;
- reasons why the terms and conditions of the service arrangement are no longer acceptable and a review is required, being as specific as possible; and
- a description of how the participant has already tried to resolve the issues that make continued service participation under existing terms and conditions unacceptable.

The more information a participant can provide in the notice regarding the specific issues that compelled it to initiate a statutory review, the better informed other participants and the regional district will be entering into a preliminary meeting and negotiations.

A separate notice is required for each service, or group of services combined in an establishing bylaw, that a participant wishes to have reviewed. Where a participant wants to review a service authorized under supplementary letters patent, the minister has the authority to determine what will be considered a separate service for a review.

Participants in a review:

There are limitations as to who is considered a "party" to a statutory service review. The service participant that initiated the review, any other participant in the service and the regional district board are all considered parties to a review. The parties are required to identify who will represent them in a review. The board appoints a director, or by default, the chair. A municipal participating area appoints a council member or, if no appointment is made, the mayor. In the case of an electoral participating area the representative is the director of the electoral area.

The board and any municipal participant needs to notify the other parties regarding who will be their representative in the review. If the parties to a review determine, at any time during the review, that it would be worthwhile to involve representatives from other jurisdictions that are not participants in the service, there are no barriers to this decision. It is important, however, for all parties to agree before others are involved. Where parties agree to involve other jurisdictions those additional jurisdictions should be reminded, before they become involved, that any costs they incur while participating in the review will be their own responsibility.

Scope of a review:

When a participant initiates a review they provide the required notice or notices indicating the service(s) that it wishes to review. This notification establishes the initial scope of the review and provides other participants and the board with a sense of the issues associated with those services that need to be revisited. There may also be additional issues or services that others wish to include in the review. A process for adding other issues or services is provided for in a statutory review.

At any time in the review a participant can raise other issues about the service or services being addressed. If, after a notice to review a particular service has been provided, a participant wants to add another service to the review there are certain procedural requirements that must be met. The addition of another service requires a separate notice. There has to be agreement of the other service participants and board to include the additional service or services. If applicable, agreement from any other participants in the second or subsequent service that are not party to the initial service is also needed. Just as there are no limitations as to the services that can be subject to a review, there is no limitation to the number of services that can be reviewed in any one process, as long as the procedural requirements in the *Act* are met.

Costs of a service review:

The *Local Government Act* outlines how the costs of a statutory review are to be recovered. There are two kinds of costs associated with a service review:

- the costs of running the process, and
- a council, electoral area director, or board's own costs of participating in the review.

Service review process costs are incurred by the regional district because they conduct the review. Such costs would include:

- joint reports or studies to inform the review process,
- administrative expenses associated with running the process, and
- fees of any expert brought in by agreement of the parties.

The costs of reviewing a service is the "cost of doing business", and is therefore treated as part of the overall costs of that service. This includes the regional district's own costs of participating in the review. These costs are apportioned among the participants in the same way as other service costs.
An electoral area or municipality participating in a review is responsible for its own costs of participating in a review. This would include:

- expenses incurred by participant, such as travel or staff time to review materials and write submissions, and
- reports or studies undertaken independently on which the other parties do not agree to rely.

If only part of the municipality or electoral area participates in the service under review, the costs for participating in the review can only be collected from the taxpayers in that part of the municipality or electoral area.

Preliminary meeting:

The statutory review requires that a preliminary meeting be held with 120 days of a regional district receiving notice of a service participant initiating a review. The preliminary meeting is held at Step 1 in the service review process suggested in chapter 6. Its purpose is for the representatives of service participants and the board to:

- clarify the issues,
- determine the scope of the review,
- identify each participant's interests, and
- agree to a negotiation process.

The preliminary meeting is also the time to remind the representatives that the Act requires them to negotiate openly, fairly and honestly and make all reasonable efforts to reach agreement on the issues under review.

Using a facilitator:

When a review is initiated, or at any time during a review, the minister may appoint facilitators to assist participants in reaching agreement. At the request of a participant in the review the facilitator(s) can provide assistance. The costs of a facilitator are paid for by the ministry. Facilitators can provide assistance in many ways, including:

- facilitating the preliminary meeting(s),
- assisting parties to establish a negotiation process,
- facilitating negotiations on the services under

review,

- assisting parties to resolve issues in dispute, and
- assisting parties to set up and use another dispute resolution process.

The role of a facilitator(s) is to assist participants to develop their own consensual resolution of unresolved issues between them. At no time does a facilitator have a decision-making role in a review.

The assistance of a facilitator can be particularly helpful where:

- communication between parties is poor,
- parties have become intensely emotional about the conflict,
- there are mis-perceptions, stereotypes, or perceived value differences hindering productive discussions, or
- multiple issues are in dispute and parties cannot agree on the process for addressing them.

If a facilitator's assistance is requested in a service review, it is the responsibility of all parties in the review to cooperate with the facilitator as they fulfil their responsibilities.

Negotiations:

A final requirement in a statutory review option is the need for negotiations on the services under review to begin within 60 days of the preliminary meeting, or the first of such meetings if there is more than one. The negotiation process agreed to at the preliminary meeting would provide the ground rules for how the negotiations would proceed.

There is no legislated time period within which negotiations must be completed. Each review will be unique, and therefore the time required to reach agreement on how to resolve the issues will vary.

The legislation does not specify how any agreements are to be documented, nor does it specify requirements for implementation. It is important, however, that if agreement is reached on resolving the issues under review and follow up is required steps to implement the agreement are undertaken as soon as possible.

APPENDIX 2

REGIONAL DISTRICT OF NANAIMO
SAMPLE FACT SHEET

APPENDIX 2

Sample Fact Sheet
Southern Community Recreation

Description:

In District 68, the City of Nanaimo provides a wide range of recreation and leisure services to the 72,000 city residents and, by agreement with the regional district, the combined 13,000 residents of Electoral Areas A, C and D.

A key recreation facility in Nanaimo is the Beban Park Complex. Beban Park was constructed as a regional facility by the regional district in 1975. From 1975 to 1990, the facility was operated by the regional district and funded by a participating area which included the City of Nanaimo and Electoral Areas A, B, C and D. In 1990, Beban Park was transferred to the city and merged with the city's recreation function. The transfer was made, primarily, in an effort to take advantage of the economies of scale associated with the larger city operation.

At the time of the transfer, the debt incurred in constructing the complex had not been fully retired. To address the issue of outstanding debt, the city and the regional district entered into a six-year agreement that, in essence, called on the four electoral areas to contribute a total of $405,000 toward the Beban Park debt each year. In 1996, with the construction debt fully retired, the 1990 agreement expired.

A new three-year Recreation Services Agreement between the city and the regional district was struck in 1997. This agreement called on Electoral Areas A, C and D to make annual payments toward the operation of the city's recreation services (Area B, Gabriola Island, was not included). The agreement was given effect by *Regional District Bylaw 1059*, a bylaw that designated Areas A, C and D as the Southern Community Recreation Local Service Area. The annual contributions to recreation by these areas, beginning in 1997, totaled $305,400. This amount essentially matched the combined annual debt payments that the three areas made from 1990 – 1996.

As noted, Electoral Area B was not included in the Recreation Services Agreement with the city, or in the local service area created by bylaw 1059. In 1996, at the expiration of the six-year debt servicing agreement, Area B decided to establish its own recreation local service. The recreation requisition that was normally passed from Area B to the City of Nanaimo was, from that year onward, directed to the newly-created Gabriola Island Recreation Local Service Area.

Area B's decision to not join the Southern Community Recreation Local Service Area prompted the City of Nanaimo to address the broader issue of residents from non-contributing areas using the city's recreation services. To combat the free rider problem that existed, the city introduced a system of non-resident fees for individual and group programs (the non-resident fees do not apply to general admissions at the city's arena and aquatic facilities). These higher fees remain in effect today.

In 1999, the three-year Recreation Services Agreement was extended for an additional year.

Service Delivery and Governance:

Recreation for the City of Nanaimo and Areas A, C and D is delivered by the city's Parks, Recreation and Culture Department.

The city's Parks, Recreation and Culture Commission plays a central governance role over the function. The commission consists of 12 members, each of whom is appointed by city council. Membership is broken down as follows:

- three city councillors,
- two "at large" members who must be residents of the city,
- four members from community athletic and cultural groups (each of these members must also be a resident of the city), and
- one member (total of three) from each of Electoral Areas A, C and D.

Each member of the commission exercises one vote on every matter under consideration. Note that the inclusion of one member from each of the participating electoral areas was secured in 1990 when Beban Park was transferred to the city. The inclusion was re-stated in the 1997 Recreational Services Agreement.

The role of the commission is outlined in the *City of Nanaimo Bylaw 3766 (1990)*. Article 4 of the bylaw makes the commission responsible for:

- providing policy advice to council,
- facilitating the study and identification of recreation needs and priorities in local areas,
- examining and recommending to council the allocation of resources to neighbourhoods and local areas, while supporting a community-wide approach to servicing, and
- preparing, for submission to council, preliminary parks, recreation and culture budgets.

The commission also works with Department staff on annual reviews of fees and rentals.

Cost and Cost Allocation:

City budget documents show that the total 2000 budget for the Parks, Recreation and Culture Department is $9.07 million. This total amount includes costs related to parks operations, community development grants and the maintenance of civic properties. Costs related to community recreation operations, arena operations and aquatic operations are also included in the total Parks, Recreation and Culture budget.

The recreation costs are allocated in accordance with the Recreation Services Agreement. Article 5.1 of the Agreement requires the regional district to pay the city $305,400 per year for recreation and leisure services. The City of Nanaimo pays the remaining portion.

The $305,400 regional district contribution is requisitioned from Areas A, C and D in accordance with article 6 of *Regional District Bylaw 1059*. Article 6 apportions the cost among the three areas based on both population and converted assessment.

Key Issues:

There are several key issues and concerns related to the funding, provision and governance of recreation and leisure services in District 68. Consider the following points:

- *Existing Electoral Area Contributions* — The annual $305,400 payment from the participating electoral areas is considered *by the city* to be unfairly low. In support of its argument for a higher contribution, the city raises three points:

  - The existing payment is essentially frozen at a level that was determined prior to the transfer of Beban Park to the city in 1990. Increases in costs attributed to the recreation improvements and additions undertaken since 1990 are not reflected in the electoral area requisition. In the city's view, all cost increases since 1990 have been funded solely by the city (note that this view is not necessarily shared by the electoral area participants).

  - The regional district allocates recreation costs among Areas A, C and D based on a combination of population and converted assessment. If the same cost allocation formula were used to assign the costs related to recreation, the City of Nanaimo would likely pay considerably less toward recreation than it does today.

  - There are many new recreation and leisure projects underway or soon-to-be underway. Under the existing fixed contribution system, the costs associated with the new projects will be born entirely by the city.

  In contrast to the city's position, the participating electoral area directors feel that their existing level of contribution can be justified. In 1996, the present level of contribution was established after considering:

  - the portion of the city's Parks, Recreation and Culture budget that should be cost-shared, and

  - the percentage of the cost-sharing portion that should be allocated, based on usage, to the electoral areas.

  The electoral areas determined the cost-sharing portion in 1996 to be $4.0 million, and the electoral area usage to be approximately 10% of the total usage (based on the City of Nanaimo's 1994 survey of its recreation facilities). 10% of $4.0 million translated into an electoral area

contribution of $400,000, which, co-incidentally was very close to the $405,000 that Electoral Areas A, B, C and D together contributed each year prior to 1996.

The $400,000 contribution was reduced to the existing $305,000 when Gabriola Island (Area B) decided to not join the Southern Community Recreation function. As noted earlier, the $95,000 that Gabriola would have paid to the City of Nanaimo was redirected to the Area B recreation function.

- *Services for Cost-sharing* — Under the 1997 Recreation Services Agreement, Electoral Areas A, C and D share in the cost of recreation and leisure services which are included up the Parks, Recreation and Culture budget. How much of the total $9.07 million budget should be categorized as recreation and leisure services and shared with Areas A, C and D? The entire budget? Only those costs related to major recreation centres?

- *Governance* — Electoral area representatives occupy three of the twelve commission seats. The commission gives policy advice to the city council; council makes the final decisions. The electoral areas are not, of course, represented on city council.

- *Non-contributing Areas* — As noted earlier, Area B's decision to not participate in the Southern Community Recreation Local Service Area prompted the city to examine the issue of residents from non-contributing areas using Nanaimo's recreation services. A survey conducted in 1994 shows that over 5% of all program registrants, and 6% of community user groups resided in non-contributing areas. In an effort to address this free rider problem, the city introduced higher non-resident fees.

  The system of non-resident fees presents certain problems to the city, including problems related to enforcement. A different approach to the free rider problem may need to be considered.

Additional Comments:

Area B is, at present, considering joining the Southern Community Recreation Local Service Area. The Area's own recreation local service function provides a wide range of programs, but is incapable of making large capital investments on facilities or equipment. Area B's intentions may need to be considered in later stages of the Regional Services Review.

APPENDIX 3

EXAMPLES OF SHARED SERVICES PROVIDED BY REGIONAL DISTRICTS

APPENDIX 3

Examples of Shared Services Provided by Regional Districts

Environmental Management	Water Supply
	Water Distribution
	Sewerage Treatment
	Sewerage Collection
	Septage Disposal
	Solid Waste Collection
	Solid Waste Disposal
	Soil Deposit
	Air Quality
	Insect Control
	Weed Control
Transportation	Transit
	Travel Demand Mgmt
	Airport
Parks	Sports Fields
	Community Parks
	Regional Parks
Recreation	Recreation Facilities
	Recreation Programs
	Community Halls
Culture & Heritage	Cultural Facilities
	Cultural Programs
	Heritage Conservation
	Library Services
Regulatory	Animal Control
	Building Inspection
	Noise Control
	House Numbering
Emergency	Emergency 911
	Fire Protection
	Search & Rescue
	Emergency Preparedness
Planning	Land Use Planning (E.A.s)
	Regional Growth Strategies
Other	Economic Development
	Cemetery
	Victim Services
	Television Rebroadcasting
	Film Industry Development
	Feasibility Studies
	Grants-in-Aid

APPENDIX 4

PROFILE OF REGIONAL DISTRICTS

APPENDIX 4

Profile of Regional Districts

REGIONAL DISTRICT	Total Population**	Voting Unit	Number of Jurisdictions			Number of Directors			Weighted Votes		
			Mun.	E.A.	Total	Mun.	E.A.	Total	Mun.	E.A.	Total
Alberni - Clayoquot	31,652	2,000	3	6	9	4	6	10	12	9	21
Bulkley - Nechako	41,642	3,000	8	7	15	8	7	15	11	10	21
Capital	318,684	5,000	12	4	15	18	4	22	65	7	72
Cariboo	67,046	2,500	4	12	16	4	12	16	11	23	34
Central Coast	3,921	1,500	0	5	5	0	5	5	0	5	5
Central Kootenay	58,099	2,500	9	11	20	9	11	20	15	17	32
Central Okanagan *	136,541	4,000	3	3	6	7	3	10	28	9	37
Columbia - Shuswap	48,116	2,500	4	6	10	5	6	11	14	10	24
Comox - Strathcona	97,667	2,500	8	8	16	11	8	19	30	18	48
Cowichan Valley	70,978	2,000	4	9	13	6	9	15	22	21	43
East Kootenay	56,366	2,500	7	6	13	8	6	14	20	9	29
Fraser - Fort George *	98,974	4,000	4	7	11	7	7	14	23	8	31
Fraser Valley*	222,428	5,000	6	8	14	13	8	21	47	8	55
GVRD	1,825,839	20,000	20	2	22	31	2	33	104	2	106
Kitimat - Stikine	43,618	2,000	5	5	10	7	5	12	16	12	28
Kootenay - Boundary	32,906	2,500	8	5	13	8	5	13	13	6	19
Mount Waddington	14,601	600	4	4	8	5	4	9	19	10	29
Nanaimo *	121,783	2,500	3	8	11	8	8	16	36	18	54
North Okanagan	71,607	2,500	6	5	11	8	5	13	25	10	35
Okanagan - Similkameen	75,971	1,800	6	8	14	10	8	18	33	18	51
Peace River	56,477	3,000	7	4	11	8	4	12	16	8	24
Powell River	19,936	2,000	1	5	6	2	5	7	7	6	13
Rocky Mountain *	5,856	150	1	2	3	6	3	9	30	10	40
Skeena - Queen Charlotte *	24,795	2,000	4	4	8	5	4	9	12	5	17
Squamish - Lillooet	30,398	2,000	4	4	8	5	4	9	15	5	20
Sunshine Coast	24,914	2,000	3	5	8	3	5	8	7	9	16
Thompson - Nicola *	118,801	3,250	8	10	18	12	10	22	33	13	46

* One Municipality has 50% or more of the voting strength.
** Based on 1996 Census. Figures include people residing on Indian Reserves.

Source: Statistics relating to Regional and Municipal Governments in B.C., Province of British Columbia, 1998.